



GA SEGONYANA LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Mayor

Masegela N.G.

Councillors

Name

Meyers T.E. (Speaker)
Assegai G.C.
Aucamp W.A.S. (EXCO) Resigned 22 May 2019
Bloem S.N. Resigned 22 May 2019
Chweu K.H. (EXCO) Appointed May 2019
Disang M.F.
Dispi N.G.
Eiman B.A.
Galeboe M.P.
Kanjjeruba K.F.
Leserwane O.A. Resigned December 2018
Leserwane O.A.
Madikiza Selepe K.B. (EXCO)
Makoke L.N.
Makwati K.R.
Mathibe O.D.
Mntuyedwa G.N.
Gaetsewe B.E Appointed January 2019
Moagi L. (MPAC Chair)
Modise E.B. (EXCO)
Moseki L.C.
Mpata D.T.
Nelson L.R.
Ngesi N.G.
Nels K.A. Appointed 27 June 2019
Reetsang M.G.
Thupaemang N.G.
Tshetshemeserogwe I.

Chief Financial Officer (CFO)	K. Noke
Accounting officer	M. Tsatsimpe
Registered office	Corner Voortrekker and School Street Kuruman
Business address	Corner Voortrekker and School Street Kuruman
Postal address	Private Bag X1522 Kuruman 8460

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Bankers FNB

Auditors Auditor General (South Africa)

Jurisdiction The Ga-segonyana Local Municipality includes the following areas:
Kuruman, Bankhara, Mothibistad, Magojaneng, Obama Hill,
Ditshoswaneng, Mpoteng, Seoding, Mokalamosesane, Gamopedi,
Ncweng, Galotolo, Pietbos, Sloja, Lokaleng, Geelboom, Sedibeng,
Batlharos, Gasehubane, Garuele, Gasebolao, Maruping, Vergenoeg,
Kagung, Lohattha, Seven Miles, Thamonyanche, Wrenchville, Promise
Land and Thuli Madonsela.

Legislation Municipal Finance Management Act (MFMA)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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DoRA	Division of Revenue Act
EA	Electricity Act (Act no 41 of 1987)
DBSA	Development Bank of South Africa
EEA	Employment Equity Act (Act no 55 of 1998)
GRAP	Generally Recognised Accounting Practice
HA	Housing Act (Act no 107 of 1997)
IG	Infrastructure Grants
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MBRR	Municipal Budget and Reporting Regulations
MPPMR	Municipal Planning and Performance Management Regulations
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
BCEA	Basic Conditions of Employment Act (Act no 75 of 1997)
CA	Collective Agreements
MPRA	Municipal Property Rates Act (Act no 6 of 2004)
MRSCOA	Municipal Regulations on Standard Chart of Accounts
MSA	Municipal Structures Act (Act no 117 of 1998)
MUSA	Municipal Systems Act (Act no 32 of 2000)
MSAA	Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC	SALBC Leave Requirements
SDL	Skills Development Levies Act (Act no 9 of 1999)
SCMR	Supply Chain Management Regulations, 2005
ITA	Income Tax Act
VAT	Value Added Tax Act
UIF	Unemployment Insurance Act (Act no 30 of 1966)
WSA	Water Services Act (Act no 108 of 1997)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The Accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting officer to meet these responsibilities, the Accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting officer is primarily responsible for the financial affairs of the municipality, the annual financial statements are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is separately presented.

The annual financial statements set out on pages 7 to 93, which have been prepared on the going concern basis, were approved by the on 31 August 2019.

M. Tsatsimpe
Municipal Manager

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended	Notes
L. Dhlamini (Chairperson)	3	Resigned
R. Tshimomola (Acting Chairperson)	5	
F. Buys	2	
S. Simelane	1	
S. Ngobeni	0	Resigned

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The committee has performed the following key responsibilities:

- Adopted the audit and risk management charter and proposed approved to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council, due to the slow implementation thereof alternative mechanisms were followed by the internal audit manager and a risk register was considered and recommended for approval to council;
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Requested management to reporting on pending litigation, possible contingent liabilities and significant risks;
- Requested management to address the perceived lack of discipline and called specific officials to account for the progress on the audit action plan;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance.

The effectiveness of internal control

The following issues are highlighted by the Audit and Performance Committee as points of concern:

- Insufficient preventative control measures and ineffective monitoring of controls.
- Non adherence to policies and procedures.
- Repeat internal audit findings (performance management and MFMA Compliance audit.
- Repeat external audit findings
- No consequence management and ineffective oversight structures

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer' Report

Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	3	49,339,487	48,372,199
Receivables from non-exchange transactions	4	21,521,683	26,145,122
VAT	5	10,963,587	21,575,181
Receivables from exchange transactions	6	57,358,104	51,650,414
Conditional grants overspent	7	8,850,553	-
Cash and cash equivalents	8	551,057	11,688,188
		148,584,471	159,431,104
Non-Current Assets			
Investment property	9	33,491,300	12,067,200
Property, plant and equipment	10	1,324,738,774	1,273,805,771
Intangible assets	11	245,925	350,553
Heritage assets	12	1,655,642	1,655,642
		1,360,131,641	1,287,879,166
Total Assets		1,508,716,112	1,447,310,270
Liabilities			
Current Liabilities			
Other financial liabilities	13	1,940,092	7,451,010
Finance lease obligation	14	5,603,275	4,773,650
Payables from exchange transactions	15	127,935,369	131,277,514
Consumer deposits	16	4,713,557	5,334,319
Employee benefit obligation	17	1,541,243	1,618,925
Unspent conditional grants and receipts	18	-	1,699,569
		141,733,536	152,154,987
Non-Current Liabilities			
Other financial liabilities	13	14,106,191	13,158,864
Finance lease obligation	14	1,935,960	7,442,049
Employee benefit obligation	17	31,242,446	25,352,432
Provisions	19	18,846,803	16,226,570
		66,131,400	62,179,915
Total Liabilities		207,864,936	214,334,902
Net Assets		1,300,851,176	1,232,975,368
Accumulated surplus		1,300,851,176	1,232,975,368

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
REVENUE			
Revenue from exchange transactions			
Sale of stands		2,137,055	7,835,493
Service charges	21	142,326,754	139,836,426
Rental of facilities	22	1,214,927	1,688,622
Interest on outstanding receivables		6,189,421	5,616,813
New connections and administration fees		1,133,103	941,704
Licences and permits		2,748,788	5,757,645
Other revenue		2,979,957	2,561,479
Interest on investments	24	2,835,635	2,155,587
Total revenue from exchange transactions		161,565,640	166,393,769
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	43,409,469	39,020,719
Transfer revenue			
Grants and subsidies realised	26	274,017,192	236,985,510
Public contributions and donations	28	36,072,467	2,789,054
Fines, penalties and forfeits		1,756,338	1,120,100
Total revenue from non-exchange transactions		355,255,466	279,915,383
Total revenue	20	516,821,106	446,309,152
EXPENDITURE			
Employee related costs	29	(124,905,614)	(119,647,196)
Remuneration of councillors	30	(9,814,878)	(9,361,617)
Depreciation and amortisation	31	(62,787,847)	(53,492,011)
Impairment loss	32	(5,736,407)	(3,688,386)
Finance costs	33	(18,253,424)	(16,298,900)
Debtors impairment - Gain/(loss)	34	(61,380,176)	13,009,313
Bad debts written-off	35	(585,529)	(8,701,574)
Bulk purchases	37	(102,938,964)	(99,087,945)
General expenses	38	(109,394,056)	(91,174,108)
Total expenditure		(495,796,895)	(388,442,424)
Operating surplus		21,024,211	57,866,728
Loss on disposal of assets		5,231,404	(709,270)
Fair value adjustments		1,624,100	-
Actuarial gains	17	(6,556,879)	526,317
		298,625	(182,953)
SURPLUS FOR THE YEAR		21,322,836	57,683,775

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2017	1,175,291,593	1,175,291,593
Changes in net assets		
Surplus for 12 months ended 30 June	57,683,775	57,683,775
Total changes	57,683,775	57,683,775
Opening balance as previously reported	1,193,249,195	1,193,249,195
Adjustments		
Prior year adjustments	86,279,145	86,279,145
Restated* Balance at 01 July 2018 as restated*	1,279,528,340	1,279,528,340
Changes in net assets		
Surplus for the year ended 30 June	21,322,836	21,322,836
Total changes	21,322,836	21,322,836
Balance at 30 June 2019	1,300,851,176	1,300,851,176
Note(s)		

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

		2019	2018
	Note(s)	R	Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		139,210,694	190,917,129
Grants		310,033,357	219,914,402
Interest on investments		2,835,635	2,155,587
		<u>452,079,686</u>	<u>412,987,118</u>
Payments			
Employee costs		(135,465,032)	(126,335,031)
Suppliers		(166,204,756)	(81,826,831)
Finance costs		(15,633,190)	(14,956,314)
		<u>(317,302,978)</u>	<u>(223,118,176)</u>
Net cash flows from operating activities	39	<u>134,776,708</u>	<u>189,868,942</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(130,756,898)	(195,354,757)
Proceeds from sale of property, plant and equipment	10	13,948,301	14,795,116
Purchase of investment property	9	(19,800,000)	(5,604,600)
Purchase of intangible assets	11	(73,749)	(134,561)
Proceeds from sale of intangible assets	11	8,562	52,727
		<u>(136,673,784)</u>	<u>(186,246,075)</u>
Net cash flows from investing activities		<u>(136,673,784)</u>	<u>(186,246,075)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other financial liabilities		(4,563,591)	(724,375)
Finance lease payments		(4,676,464)	7,799,573
		<u>(9,240,055)</u>	<u>7,075,198</u>
Net cash flows from financing activities		<u>(9,240,055)</u>	<u>7,075,198</u>
Net increase/(decrease) in cash and cash equivalents		(11,137,131)	10,698,065
Cash and cash equivalents at the beginning of the year		11,688,188	990,123
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	<u>551,057</u>	<u>11,688,188</u>

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of stands	6,500,000	(5,000,000)	1,500,000	2,137,055	637,055	1
Service charges	138,596,759	3,672,598	142,269,357	142,326,754	57,397	2
Rental of facilities	765,396	(106,998)	658,398	1,214,927	556,529	
Interest on outstanding receivables	8,800,000	-	8,800,000	6,189,421	(2,610,579)	
Agency services	1,223,644	1,200	1,224,844	1,133,103	(91,741)	
Licences and permits	5,727,648	(3,049,998)	2,677,650	2,748,788	71,138	3
Other revenue	1,778,944	22,254,602	24,033,546	2,979,957	(21,053,589)	
Interest on investments	2,991,808	-	2,991,808	2,835,635	(156,173)	
Total revenue from exchange transactions	166,384,199	17,771,404	184,155,603	161,565,640	(22,589,963)	
Revenue from non-exchange transactions						
Property rates	44,667,795	-	44,667,795	43,409,469	(1,258,326)	
Grants and subsidies realised	260,484,001	7,943,000	268,427,001	274,017,192	5,590,191	4
Public contributions and donations	-	-	-	36,072,467	36,072,467	5
Fines, Penalties and Forfeits	7,008,946	(1,999,998)	5,008,948	1,756,338	(3,252,610)	
Total revenue from non-exchange transactions	312,160,742	5,943,002	318,103,744	355,255,466	37,151,722	
Total revenue	478,544,941	23,714,406	502,259,347	516,821,106	14,561,759	
EXPENDITURE						
Employee related costs	(126,455,316)	11,492,070	(114,963,246)	(124,905,614)	(9,942,368)	6
Remuneration of councillors	(9,524,401)	-	(9,524,401)	(9,814,878)	(290,477)	
Depreciation and amortisation	(43,874,851)	-	(43,874,851)	(62,787,847)	(18,912,996)	7
Impairment loss	-	-	-	(5,736,407)	(5,736,407)	8
Finance costs	(5,414,100)	(2,750,006)	(8,164,106)	(18,253,424)	(10,089,318)	9
Debt Impairment	(1,035,000)	-	(1,035,000)	(61,380,176)	(60,345,176)	10
Bad debts written-off	-	-	-	(585,529)	(585,529)	
Repairs and maintenance	-	-	-	(2,661,253)	(2,661,253)	11
Bulk purchases	(105,072,680)	120,000	(104,952,680)	(102,938,964)	2,013,716	12
Contracted services	(42,451,611)	(9,202,070)	(51,653,681)	-	51,653,681	13
General expenses	(47,679,056)	(9,321,910)	(57,000,966)	(106,732,803)	(49,731,837)	14
Total expenditure	(381,507,015)	(9,661,916)	(391,168,931)	(495,796,895)	(104,627,964)	
Operating surplus	97,037,926	14,052,490	111,090,416	21,024,211	901,527,585	
Gain on disposal of assets	-	-	-	5,231,404	5,231,404	
Fair value adjustments	-	-	-	1,624,100	1,624,100	
Actuarial gains/losses	-	-	-	(6,556,879)	(6,556,879)	
	-	-	-	298,625	298,625	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
SURPLUS FOR THE YEAR	97,037,926	14,052,490	111,090,416	21,322,836	(89,767,580)	

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	49,339,487	49,339,487	15
Receivables from non-exchange transactions	4,906,259	(4,905,998)	261	21,521,683	21,521,422	16
Receivables from exchange transactions	17,160,808	(23,518,114)	(6,357,306)	57,358,104	63,715,410	17
VAT	-	-	-	10,963,587	10,963,587	18
Conditional grants overspent	-	-	-	8,850,553	8,850,553	
Cash and cash equivalents	(26,429,002)	38,851,398	12,422,396	551,057	(11,871,339)	19
	(4,361,935)	10,427,286	6,065,351	148,584,471	142,519,120	

Non-Current Assets

Investment property	-	-	-	33,491,300	33,491,300	
Property, plant and equipment	100,176,217	6,024,000	106,200,217	1,324,738,774	1,218,538,557	20
Intangible assets	-	-	-	245,925	245,925	
Heritage assets	-	-	-	1,655,642	1,655,642	
	100,176,217	6,024,000	106,200,217	1,360,131,641	1,253,931,424	

Total Assets

	95,814,282	16,451,286	112,265,568	1,508,716,112	1,396,450,544	
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Liabilities

Current Liabilities

Other financial liabilities	-	-	-	1,940,092	1,940,092	21
Finance lease obligation	-	-	-	5,603,275	5,603,275	22
Payables from exchange transactions	-	-	-	127,935,371	127,935,371	23
Consumer deposits	-	-	-	4,713,557	4,713,557	
Employee benefit obligation	-	-	-	1,541,243	1,541,243	24
	-	-	-	141,733,538	141,733,538	

Non-Current Liabilities

Other financial liabilities	-	-	-	14,106,191	14,106,191	26
Finance lease obligation	-	-	-	1,935,960	1,935,960	27
Employee benefit obligation	-	-	-	31,242,446	31,242,446	28
Provisions	-	-	-	18,846,803	18,846,803	29
	-	-	-	66,131,400	66,131,400	

Total Liabilities

	-	-	-	207,864,938	207,864,938	
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Net Assets

	95,814,282	16,451,286	112,265,568	1,300,851,174	1,188,585,606	
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	95,814,282	8,108,286	103,922,568	1,300,851,184	1,196,928,616	31

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Sale of stands						
1) The decrease was due to a decrease in sale of stands as compared to prior year.						
Service charges						
2) Service charges increased by R3 million due to increase in tariffs and also a slight increase in consumers.						
Licences and permits						
3) Licences and permits decreased due to a decrease in customers as well as charges.						
Government grants and subsidies realised						
4) Government grants were above budget due to increase in equitable share as well as realisation of income for conditions met for most grants.						
Public contributions and donations						
5) There was an increase in donations from mines for repairs and maintenance of road infrastructure as well as Bulk donations and street lights.						
Employee related costs						
6) Employee costs increased due to increase in salaries and wages of 18% as well as overtime payments due to high call out to repair water infrastructure						
Depreciation and amortisation						
7) Depreciation increased due to increase in assets in the current year as well as gains of assets that were added after the physical verification.						
Impairment						
8) Impairment increased as it was not budgeted for.						
Finance costs						
9) Finance costs reduced due to increased in finance costs of Landfill rehabilitation costs which increased by R8million as well as new Finance leases						
Debt impairment						
10) There was a substantial change in debt impairment due to restatement of prior year provision which resulted in a decrease in provision.						
Repairs and maintenance						
11) Repairs and maintenance increased slightly as compared to budget due to aging infrastructure which is constantly under maintenance.						
Bulk purchases						
12) Bulk purchases increased due to increase in price for both water and electricity (NERSA Tariff increases).						
Contracted services						

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

13) Contracted services changed substantially due to reclassifications which were moved from contracted services to other expenses.

General expenses.

14) General expenses increased due to increases in costs from suppliers.

Inventory

15) Inventory increased due to reclassification of land under property, plant and equipment to inventory.

Receivables from non-exchange transactions

16) Receivables from non-exchange transactions reduced due to write-off of traffic fines balances.

Receivables from exchange transactions

17) Receivables from exchange transactions increased due to impairment reversal after restatement of debtors impairment.

VAT

18) VAT changed substantially as it was not budgeted for and also there was restatement of error after correcting the prior year misstatements. There was also a 1% change from 14% to 15%.

Cash and cash equivalents

19) The cash and cash equivalents of the municipality increased due to improvement in cash flow management

Property, plant and equipment

20) Property, plant and equipment increased due to additional assets bought or constructed in the current year as projects are completed as well as asset gains brought into the books after the physical verification exercise.

21) This balance is composed of loans from DBSA as well as loan owing to National treasury for Equitable share withheld..

22) Finance lease obligation increased due to additional lease from Afirent.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

1.3.1 Trade receivables and allowance for doubtful debts

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.4 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand and interest.

1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on public sector industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.7 Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows.

1.3.9 Allowance for doubtful debts

Timing of Assessment

The Municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

Evidence of Impairment

The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a combined credit balance at reporting date;
- Receivable accounts where the combined balance at reporting date is zero;
- Receivable accounts where the Municipality is the owner; and
- Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due.

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

- A receivables that have been placed under or applied for liquidation or sequestration;
- Where the last payment date by the customer was before 15th May of each year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt;
- When accounts have been formally presented to Council for write off; and
- All accounts with balances outstanding 31 days and longer as these accounts are considered to be past due

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Calculation and Recognition of Impairment Loss

The impairment loss is calculated as the difference between the carrying value at reporting date less the present value of expected future cash flows.

Individually Significant Receivables

Consumer receivables with a total balance outstanding at reporting date over R150 000 is considered material and will be assessed individually for evidence of impairment.

For sundry receivables management will assess on an annual basis which accounts are considered to be individually material. These accounts will be assessed individually for evidence of impairment.

Risk Categories

All receivables are categorised into one of three risk categories. These categories are:

- High risk category;
- Medium risk category; and
- Low risk category.

The allocation of receivables into the different risk categories are reviewed annually.

Consumer receivables

The following receivables are specifically identified as being high risk due to their nature:

- Approved indigents;
- Tenant accounts; and
- Non-active accounts

The following receivables are specifically identified as being low risk receivables due to their nature and past payment history:

- Government receivables, excluding government schools

The following receivables are specifically identified as being medium risk receivables due to their nature and past payment history:

- All accounts with prepaid electricity meters; and
- Government school receivables

The remainder of the consumer receivables are classified as medium risk receivables.

All other receivables are divided into the three risk categories based on management's knowledge of these receivables.

Summary of risk groups for consumer receivables

Ga Segonyana Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

High Risk	Medium Risk	Low Risk
Approved indigents	Remainder of consumer receivable accounts	Government receivables, exc schools
Tenant accounts	Remainder of consumer receivable accounts	Government receivables, exc schools
Non-active accounts	Remainder of consumer receivable accounts	Government receivables, exc schools

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Sundry receivables

The following receivables are specifically identified as being high risk due to their nature and past payment history:

- Motor vehicle accidents;
- Library books;
- Bursary costs/Study assistance;
- Closed accounts;
- Marked to be written off; and
- Handed over accounts

The following receivables are specifically identified as being low risk receivables due to their nature and past payment history:

- Main service contributions; and
- Relocation costs;

The following receivables are individually assessed

- Medical aid

The remainder of the sundry receivables are classified as medium risk receivables.

All other receivables are divided into the three risk categories based on management's knowledge of these receivables.

Summary of risk groups for consumer receivables

High Risk	Medium Risk	Low Risk
Motor vehicle accidents	Remainder of consumer receivable accounts	Main service contributions
Library books	Remainder of consumer receivable accounts	Main service contributions
Bursary costs	Remainder of consumer receivable accounts	Reallocation costs
Closed accounts	Remainder of consumer receivable accounts	Reallocation costs
Marked to be written off	Remainder of consumer receivable accounts	Reallocation costs
Non-active accounts	Remainder of consumer receivable accounts	Reallocation costs

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Discount Rate

The discount rate is set as the yield of the R157 South African government bond as at the reporting date. The actual yield on the R157 bond is sourced from the RMB Global Markets website at reporting date

Ga Segonyana Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

The risk free rate is adjusted with a premium per risk category. The following is taken into account in determining the premium:

- The economic conditions of the population in the municipal district;
- History of bad debts written off;
- Effectiveness of the debt collection processes;
- The vast rural area that the municipality covers and the rural population have high social problems;
- High unemployment rate in the municipal district.

Based on the above risk factors identified the risk free rate is adjusted with the following premium

Risk category	Premium adjustment
High risk	1.25%
Medium risk	0.75%
Low risk	0.25%

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Expected Repayment Term

The total income from consumers for the reporting period include:

- Property tax;
- Refuse;
- Sewerage;
- Water;
- Electricity;
- Interest; and
- Less income foregone

Expected Future Cash Flows

The expected future cash flows are based on management's past experiences with the different receivable groups.

The expected future cash flows can be summarised as follows:

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Group	Expected future cash flow
Accounts with no payment received in the last six months	No payment expected
Indigent receivables	Accounts marked as indigent do not expect any re-payment and is therefore included at 100% in the allowance calculation
Inactive accounts	No payment expected
Accounts marked as bad debts	No payment expected
Accounts with balances only in current, 30 days and/or 60 days	Fully recoverable
High risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Medium risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Low risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
High risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Medium risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Low risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)

All payments received in July after the reporting date are added to the above calculated expected further cash flows before impairment is calculated

Present Value of Expected Future Cash Flows

The future expected cash flows will be discounted using the present value (PV) formula.

1.4 Investment property

1.4.1 Initial Recognition

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services, or for administrative purposes.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value in line with the asset management policy of the municipality on the municipal property rates Act cycle.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The nature or type of properties classified as held for strategic purposes are as follows:

1.4.3 Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Infinity
Furniture and fixtures	Straight line	3-15 years
Infrastructure		
- Sewer pump station	Straight line	15-60 years
- Solid waste disposal	Straight line	3-9 years
- Electricity network	Straight line	3-20 years
- LV network	Straight line	10-50 years
- Distribution network	Straight line	2- 30 years
- Bridges	Straight line	30-80 years
- Bulk supply	Straight line	50-100 years
- MV network	Straight line	15-60 years
- Road structures	Straight line	5-55 years
- Airport structures	Straight line	20-60 years
- Collection and reticulation network	Straight line	50 years
- Borehole	Straight line	3-100 years
- Distribution reticulation network	Straight line	5-60 years
- Storage	Straight line	10-15 years
- Stormwater	Straight line	10-60 years
- Road traffic management	Straight line	10-40 years
- Waste water treatment	Straight line	15-60 years
- Water network	Straight line	20 years
- Water pipes	Straight line	20 years
- Water pump	Straight line	5-100 years
- Water storage	Straight line	3-20 years
Community Assets		
- Buildings	Straight line	100 years
Other property, plant and equipment		
- Furniture and equipment	Straight line	5-10 years
- Motor vehicles	Straight line	5-15 years
- Office equipment	Straight line	3-10 years
- Plant equipment	Straight line	4-15 years
- Computer equipment	Straight line	1-5 years
Landfill site	Straight line	17 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life, residual value and depreciation method of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Intangible assets (continued)

Item	Amortisation method	Average useful life
Computer software	Straight line	3 to 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.8.1 Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.8.2 Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.8.3 Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost.

1.8.4 Impairment

The municipality assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.9 Financial instruments

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Level 3: Unobservable inputs for the asset or liability.

1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at cost.

1.10 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

1.11.1 Finance leases - lessee

Initial recognition

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Subsequent measurement

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.12 Inventories

1.12.1 Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition

1.12.2 Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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Accounting Policies

1.12 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.12.3 Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.13.1 Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.13 Impairment of cash-generating assets (continued)

1.13.2 Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.13.3 Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.14 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.14.1 Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

1.14.2 Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

1.14.3 Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.14.6 Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

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Accounting Policies

1.15 Employee benefits (continued)

1.15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

1.15.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.16 Provisions and contingencies

1.16.1 Initial Recognition

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

1.16.2 Subsequent measurement

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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1.16 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The municipality's main sources of revenue from exchange transactions income include service charges, rental of facilities, sale of stands, licences and permits and interest income.

1.17.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17.2 Sale of goods (stands and licences and permits)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

1.17.4 Interest

Interest revenue is recognised on a time proportion basis.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The municipality's main source of revenue from non-exchange transactions income include property rates, government grants and subsidies, public contributions, donations, fines and penalties.

1.18.1 Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.18.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18.3 Property Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

1.18.4 Government grants, Public contributions and donations

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.18.5 Fines

Fines are economic benefits or service potential received or receivable by municipality, as determined by a court of other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18.6 Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Ga Segonyana Local Municipality

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Accounting Policies

1.23 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 Budget information

The Municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the approved budget.

The approved budget is prepared on an accrual basis and presented by nature linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the approved budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budget as well as deviations between final budget and actual, are regarded as material differences

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Annual Financial Statements as at 30 June 2018.

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrances of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

Accounting Policies

1.26 Expenditure (continued)

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment..

1.27 Fines provision methodology

1) Obtain issued fines (Unadjusted issued fines) for the past 3 to 5 years.

a) Adjust the fines by the below adjustments:

b) Reduce the fines by the amount of fines withdrawn/cancelled.

c) Also reduce the fines by amounts reduced.

2) Increase the fines by amounts increased for unpaid fines.

3) Obtain the final total of amounts of a) to c) above.

4) Adjust the issued fines by a) to c) above to get final collectible issued fines.

5) Calculate the percentage discount rate of collectible issued fines as a percentage of unadjusted issued fines in 1) above

6) Calculate average discount rate for the number of years the data was obtained e.g. if 3 years, calculate average over 3 years and if 5 years calculate average over 5 years.

7) The provision is calculated as follows:

Gross fines debtors x average discount rate in 5) above.

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Notes to the Annual Financial Statements

	2019	2018
	R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 104 (revised): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

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Notes to the Annual Financial Statements

	2019 R	2018 R
3. Inventories		
Other inventories held for sale (land)	46,601,482	47,021,682
Consumable stores	3,539,531	1,219,479
Water	39,157	131,038
	<u>50,180,170</u>	<u>48,372,199</u>
Inventories (write-downs)	(840,683)	-
	<u>49,339,487</u>	<u>48,372,199</u>

4. Receivables from non-exchange transactions

Fines	2,666,935	1,238,230
Motor vehicle and housing loans	-	61,070
Other receivables from non-exchange revenue	72,593	16,959
Consumer debtors - Rates	18,782,155	24,828,863
	<u>21,521,683</u>	<u>26,145,122</u>

Included in receivables from non-exchange transactions are balances owing from property rates as follows:

Current (0 - 30 days)	481,419	30,522
31 - 60 days	460,323	572,786
61 - 90 days	208,509	427,300
91 - 120 days	257,850	274,597
121 - 365 days	1,112,299	1,411,742
> 365 days	32,955,335	39,131,971
	<u>35,475,735</u>	<u>41,848,918</u>

Less: Allowance for impairment

(16,693,580) (17,020,055)

Net balance

18,782,155 24,828,863

Fines

Gross fines	2,988,669	9,339,884
Impairment	(321,734)	(8,101,654)
	<u>2,666,935</u>	<u>1,238,230</u>

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory.

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	455,154	7,034,925
2 months past due	458,854	3,060,376
3 months past due	208,509	2,071,500

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
5. Value Added Tax		
VAT	10,963,587	21,575,181
Amounts outstanding from SARS at year end	5,338,758	10,488,898
VAT on accrual basis	5,624,829	11,086,283
	10,963,587	21,575,181

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
6. Receivables from exchange transactions		
Gross balances		
Electricity	23,851,949	25,720,608
Water	12,878,936	6,195,902
Sewerage	34,190,657	28,043,858
Refuse	16,250,641	13,896,456
Unallocated deposits	-	2,749,381
Sundry debtors	21,165,804	8,565,609
	108,337,987	85,171,814
Less: Allowance for impairment		
Less: Allowance for impairment	(50,979,883)	(33,521,400)
Net balance	57,358,104	51,650,414

Sundry debtors includes interest on overdue service charges accounts.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	5,466,885	4,410,392
31 - 60 days	1,968,864	1,676,348
61 - 90 days	1,361,127	1,008,649
91 - 120 days	870,527	939,965
121 - 365 days	6,784,044	4,752,127
> 365 days	7,400,502	12,933,127
	23,851,949	25,720,608
Water		
Current (0 -30 days)	1,541,107	1,698,072
31 - 60 days	818,059	521,673
61 - 90 days	481,704	530,274
91 - 120 days	410,373	483,434
121 - 365 days	1,981,783	2,417,945
> 365 days	7,645,910	544,504
	12,878,936	6,195,902
Sewerage		
Current (0 -30 days)	839,057	1,033,752
31 - 60 days	531,251	642,056
61 - 90 days	408,919	518,575
91 - 120 days	381,787	490,173
121 - 365 days	2,209,593	2,326,483
> 365 days	29,820,050	23,032,819
	34,190,657	28,043,858
Refuse		
Current (0 -30 days)	599,351	571,444
31 - 60 days	355,690	384,380
61 - 90 days	286,913	306,625
91 - 120 days	260,007	270,517
121 - 365 days	1,475,262	1,457,055
> 365 days	13,273,418	10,906,435
	16,250,641	13,896,456
Other (specify)		
Current (0 -30 days)	12,015,717	1,817,824
31 - 60 days	55,376	427,928
61 - 90 days	52,011	42,799
91 - 120 days	45,698	29,745
121 - 365 days	287,883	3,409,421
> 365 days	8,709,119	5,587,273
	21,165,804	11,314,990

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Government		
Current (0 -30 days)	1,119,844	1,098,510
31 - 60 days	645,086	259,613
61 - 90 days	210,740	236,555
91 - 120 days	164,410	267,446
121 - 365 days	1,167,196	916,214
> 365 days	(4,788,445)	5,392,853
	(1,481,169)	8,171,191
Industrial/ commercial		
Current (0 -30 days)	4,676,883	4,116,776
31 - 60 days	1,079,084	1,228,915
61 - 90 days	725,481	527,366
91 - 120 days	311,361	464,385
121 - 365 days	1,545,315	1,876,378
> 365 days	4,383,681	4,574,590
	12,721,805	12,788,410
Residential		
Current (0 -30 days)	2,622,412	2,478,669
31 - 60 days	1,931,045	1,708,614
61 - 90 days	1,584,214	1,574,763
91 - 120 days	1,426,952	1,429,187
121 - 365 days	9,668,739	8,019,957
> 365 days	58,244,078	37,244,407
	75,477,440	52,455,597
Agriculture		
Current (0 -30 days)	27,260	19,705
31 - 60 days	18,649	27,315
61 - 90 days	18,228	25,440
91 - 120 days	19,970	23,071
121 - 365 days	69,432	141,061
> 365 days	300,566	205,035
	454,105	441,627
Other		
Current (0 -30 days)	12,015,717	1,817,824
31 - 60 days	55,376	427,928
61 - 90 days	52,011	42,799
91 - 120 days	45,698	29,745
121 - 365 days	287,883	3,409,421
> 365 days	8,709,119	5,587,273
	21,165,804	11,314,990

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
6. Receivables from exchange transactions (continued)		
Total		
Current (0 -30 days)	20,462,116	9,531,484
31 - 60 days	3,729,240	3,652,385
61 - 90 days	2,590,674	2,406,923
91 - 120 days	1,968,391	2,213,834
121 - 365 days	12,738,565	14,363,031
> 365 days	66,849,001	53,004,157
	108,337,987	85,171,814

Reconciliation of allowance for impairment

Balance at beginning of the year	(33,521,400)	(39,033,980)
Contributions to allowance	(17,458,483)	5,512,580
	(50,979,883)	(33,521,400)

Credit quality of consumer debtors

The credit quality of receivables from exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory.

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	6,395,996	5,794,191
2 months past due	394,088	2,548
3 months past due	4,158	-

7. Conditional grants overspent

INEP Grant	8,811,777	-
Water Services Infrastructure Grant	38,776	-
	8,850,553	-

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,050	6,050
Other cash and cash equivalents	545,007	11,682,138
	551,057	11,688,188

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB CHEQUE ACC - 62649722883	259,466	1,110,259	-	259,466	1,110,259	-
FNB CHEQUE ACC - 62652542632	161	128,643	-	161	128,643	-
FNB 7 DAY CALL ACC 74690806392	156,699	4,795,448	-	156,699	4,795,448	-
FNB CALL ACCOUNT	128,681	5,647,788	-	128,681	5,647,788	-
Total	545,007	11,682,138	-	545,007	11,682,138	-

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

9. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	33,491,300	33,491,300	12,067,200	12,067,200

Reconciliation of investment property - 2019

	Opening balance	Additions	Fair value adjustments	Total
Investment property	12,067,200	19,800,000	1,624,100	33,491,300

Reconciliation of investment property - 2018

	Opening balance	Additions	Total
Investment property	6,462,600	5,604,600	12,067,200

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Investment property is reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2018. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties.

The revaluation of investment property was performed by TT Property Consultants (BENJAMIN NARE MAKGAKGA PROFESSIONAL ASSOCIATED VALUER -Pr.No.6996/0).

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,214,927	1,688,622
From Investment property that generated rental revenue		
Repairs and maintenance	478,625	2,132,717

10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19,962,100	-	19,962,100	19,962,100	-	19,962,100
Buildings	146,308,061	(50,858,214)	95,449,847	136,414,384	(47,448,457)	88,965,927
Plant and machinery	2,854,569	(1,786,556)	1,068,013	3,299,576	(1,963,480)	1,336,096
Furniture and fixtures	5,016,164	(4,033,778)	982,386	5,265,931	(3,906,666)	1,359,265
Motor vehicles	20,338,585	(13,780,433)	6,558,152	21,623,322	(11,269,239)	10,354,083
Office equipment	11,889,971	(8,852,976)	3,036,995	13,015,112	(8,311,575)	4,703,537
Infrastructure	1,873,112,255	(675,436,227)	1,197,676,028	1,807,132,292	(660,015,940)	1,147,116,352
Emergency equipment	43,349	(38,096)	5,253	51,309	(42,898)	8,411
Total	2,079,525,054	(754,786,280)	1,324,738,774	2,006,764,026	(732,958,255)	1,273,805,771

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	19,962,100	-	-	-	-	-	-	19,962,100
Buildings	88,965,927	9,954,550	(29,680)	-	(3,262,998)	(178,444)	492	95,449,847
Plant and machinery	1,336,096	49,436	(100,596)	-	(219,296)	-	2,373	1,068,013
Furniture and fixtures	1,359,265	44,559	(45,027)	-	(317,653)	(63,296)	4,538	982,386
Motor vehicles	10,354,083	362,552	(244,549)	-	(4,071,310)	(3,453)	160,829	6,558,152
Office equipment	4,703,537	874,931	(225,599)	-	(2,371,079)	-	55,205	3,036,995
Infrastructure	1,147,116,352	119,470,870	(13,302,527)	-	(52,372,864)	(5,491,214)	2,255,411	1,197,676,028
Emergency equipment	8,411	-	(323)	-	(2,835)	-	-	5,253
	1,273,805,771	130,756,898	(13,948,301)	-	(62,618,035)	(5,736,407)	2,478,848	1,324,738,774

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	19,962,100	-	-	-	-	-	19,962,100
Buildings	88,482,024	6,322,775	(300,033)	(2,887,644)	(2,651,195)	-	88,965,927
Plant and machinery	1,584,326	298,230	(197,021)	(279,043)	(70,396)	-	1,336,096
Furniture and fixtures	1,190,329	629,541	(83,401)	(359,130)	(18,525)	451	1,359,265
Motor vehicles	2,768,561	11,692,765	(101,615)	(3,698,585)	(307,043)	-	10,354,083
Office equipment	6,351,332	1,086,438	(226,018)	(2,508,215)	-	-	4,703,537
Infrastructure	1,037,067,271	175,325,008	(13,858,629)	(50,924,088)	(562,048)	68,838	1,147,116,352
Emergency equipment	54,793	-	(28,399)	(17,947)	(36)	-	8,411
	1,157,460,736	195,354,757	(14,795,116)	(60,674,652)	(3,609,243)	69,289	1,273,805,771

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
10. Property, plant and equipment (continued)		
Compensation received for losses on property, plant and equipment – included in operating profit.		
Assets subject to finance lease (Net carrying amount)		
Office Equipment	3,226,051	3,798,421
Motor vehicles	10,365,525	341,453
	13,591,576	4,139,874
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	96,131,576	67,850,517
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Pietbos Road	2,560,565	-
RBIG	74,669,740	56,217,012
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the Construction cost, as a result number of units increased from 380- 496.		
Bankara boudolong roads	-	8,435,380
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496.		
Bankhara Ncweng road	-	3,890,576
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496.		
	77,230,305	68,542,968
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Kuruman Bulk Water	18,452,729	56,217,012
This project was halted as funds were not available to continue with the project. This project was funded by RBIG and the mines are going to fund the project going forward.		
	18,452,729	56,217,012

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Buildings	Total
Opening balance	67,850,517	-	67,850,517
Additions/capital expenditure	119,470,868	9,954,550	129,425,418
Transferred to completed items	(91,189,809)	-	(91,189,809)
	96,131,576	9,954,550	106,086,126

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	139,827,366	392,086	140,219,452
Additions/capital expenditure	58,565,571	6,665,573	65,231,144
Transferred to completed items	(130,542,420)	(7,057,659)	(137,600,079)
	67,850,517	-	67,850,517

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	217,157	8,425,539
Plant and equipment	65,000	80,672
Motor vehicles	889,842	798,827
Office equipment	346,864	118,113
Infrastructure	1,142,390	8,817,052
	2,661,253	18,240,203

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	999,527	(753,602)	245,925	1,038,666	(688,113)	350,553

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	350,553	73,749	(8,562)	(169,815)	245,925

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	573,105	134,561	(52,727)	(304,386)	350,553

12. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	5,642	-	5,642	5,642	-	5,642
The Eye	1,650,000	-	1,650,000	1,650,000	-	1,650,000
Total	1,655,642	-	1,655,642	1,655,642	-	1,655,642

Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral chain	5,642	5,642
The Eye	1,650,000	1,650,000
	1,655,642	1,655,642

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral chain	5,642	5,642
The Eye	1,650,000	1,650,000
	1,655,642	1,655,642

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

12. Heritage assets (continued)

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

13. Other financial liabilities

At amortised cost

DBSA Bank loan

	2019 R	2018 R
DBSA Bank loan	16,046,283	16,355,874
The Borrower shall cede to the DBSA, security in the form of a cession over its income stream, covering the instalments outstanding, plus interest and collection charges outstanding, at any time during the term of the loan		
The borrower hereby agrees to create and deposit at a recognised commercial bank, an amount equal to two instalments over a period of one year of the respective loan period. This amount is to be ceded to the DBSA as security for the loan		
Equitable share withheld	-	4,254,000
Total other financial liabilities	16,046,283	20,609,874
Non-current liabilities		
At amortised cost	14,106,191	13,158,864
Current liabilities		
At amortised cost	1,940,092	7,451,010

The Borrower shall cede to the DBSA, security in the form of a cession over its income stream, covering the instalments outstanding, plus interest and collection charges outstanding, at any time during the term of the loan

The borrower hereby agrees to create and deposit at a recognised commercial bank, an amount equal to two instalments over a period of one year of the respective loan period. This amount is to be ceded to the DBSA as security for the loan

This amount is to be ceded to the DBSA as security for the loan

Equitable share withheld

Total other financial liabilities

Non-current liabilities

At amortised cost

Current liabilities

At amortised cost

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

13. Other financial liabilities (continued)

Defaults and breaches

Contract number	Loan number	Start date	Planned end date	Loan term (Years)	Interest rate per annum
61000505	102274/2	2006/03/01	2026/02/28	20	8.46 %
61003307	13891/201	2001/12/20	2023/06/30	20	10.75 %
61000632	102568/2	2007/11/19	2027/12/31	20	5.00 %
61000357	101738/2	2005/03/24	2025/06/30	20	9.34 %
61001387	11099/102	1998/04/24	2018/06/30	20	15.00 %
61000038	100234/1	2003/08/07	2024/12/31	20	11.50 %

As at 30 June 2019, the Municipality had the following concessionary loans from DBSA:

Contract number	Loan number	Start date	Planned end date	Loan term (Years)	Interest rate per annum
61000632	102568/2	2007/11/19	2027/12/31	20	5.00 %
61000505	102274/2	2006/03/01	2026/02/28	20	8.46 %
61000357	101738/2	2005/03/24	2025/06/30	20	9.34 %

Significant terms and conditions of such loans

Contract number: 102568/2

- Loan amount: R3 550 000
- Loan period: 20 years
- Fixed interest rate: 5%
- Grace period: 1 year

The nominal value of loan balance at year-end is R2 027 961.66.

Contract number: 102274/2

- Loan amount: R12 109 500
- Loan period: 20 years
- Fixed interest rate: 8.46%
- Grace period: 4 years

The nominal value of loan balance at year-end is R7 218 891.89.

Contract number: 101738/2

- Loan amount: R7 183 596.02
- Loan period: 20 years
- Fixed interest rate: 9.34%
- Grace period: 5 years

The nominal value of loan balance at year-end is R3 998 937.02.

Maturity analysis

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	1,940,092	4,484,980	5,521,235	4,099,976
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	3,197,010	3,833,828	5,070,201	4,254,835

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

13. Other financial liabilities (continued)

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

14. Finance lease obligation

Minimum lease payments due

- within one year	5,246,371	9,707,356
- in second to fifth year inclusive	3,147,131	11,345,344
	<hr/>	<hr/>
	8,393,502	21,052,700
less: future finance charges	(854,267)	(8,837,001)
Present value of minimum lease payments	7,539,235	12,215,699

Present value of minimum lease payments due

- within one year	5,603,275	4,773,650
- in second to fifth year inclusive	1,935,960	7,442,049
	<hr/>	<hr/>
	7,539,235	12,215,699

Non-current liabilities	1,935,960	7,442,049
Current liabilities	5,603,275	4,773,650
	<hr/>	<hr/>
	7,539,235	12,215,699

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 2-5 years and the average effective borrowing rate was -% (2018: 26%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

15. Payables from exchange transactions

Trade payables	69,880,696	89,201,785
Accruals	17,280,600	6,718,262
Unallocated deposits	654,340	947,393
Retention monies	13,246,785	12,394,997
Sale of stands	7,235,105	9,386,427
Sundry payables	67,300	2,617,685
Debtors with credit balances	3,078,005	2,092,317
Employee costs accrual	5,313,095	(1,853,078)
Group life Insurance	2,026,646	2,026,646
Leave pay	4,958,470	5,408,059
Bonus	4,194,327	2,337,021
	<hr/>	<hr/>
	127,935,369	131,277,514

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
15. Payables from exchange transactions (continued)		
Age analysis - Trade creditors		
Current	25,092,295	19,641,494
0-30 Days	2,296,171	4,298,455
31-60 Days	7,098,781	8,214,446
61-90 Days	2,366,260	7,202,835
91-120 Days	26,117,978	49,844,554
	62,971,485	89,201,784

16. Consumer deposits

Service accounts	3,667,454	3,903,569
Housing rental	1,046,103	1,430,750
	4,713,557	5,334,319

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services.

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded - Post Employment Medical Aid	(27,232,972)	(22,108,444)
Present value of the defined benefit obligation-wholly unfunded - Long Service Awards	(5,550,717)	(4,862,913)
	(32,783,689)	(26,971,357)
Non-current liabilities	(31,242,446)	(25,352,432)
Current liabilities	(1,541,243)	(1,618,925)
	(32,783,689)	(26,971,357)

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member is entitled to continue as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Long service award

The members of the long service award are made up as follows:

Eligible employees as at 30 June 2018	308	315
New Entries	-	10
Exits	(1)	(17)
	307	308

Movements in the present value of the defined benefit obligations were as follows:

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
17. Employee benefit obligations (continued)		
Opening balance	5,372,611	4,862,913
Assumed in an entity combination	-	114,663
Other	-	395,035
	5,372,611	5,372,611

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	598,889	541,141
Interest cost	396,095	350,152
Actuarial (gains) losses	250,694	114,663
Settlement	(557,874)	(496,258)
	687,804	509,698

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Discount rates used	8.21 %	8.63 %
Expected rate of return on assets	5.57 %	6.22 %
Expected rate of return on reimbursement rights	2.50 %	2.27 %
Other material actuarial assumptions [provide details]	62	65

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 8.63% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.63% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.77%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 29 June 2018.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	977,781	968,100
Effect on defined benefit obligation	5,267,150	5,215,000

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	5,550,717	4,862,913	4,353,215	3,989,044	3,488,880
Surplus (deficit)	(5,550,717)	(4,862,913)	(4,353,215)	(3,989,044)	(3,488,880)
Experience adjustments on plan liabilities	300,806	193,943	76,211	209,294	86,911

Post employment medical aid subsidy

The members of the post-employment health care benefit plan are made up as follows:

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
17. Employee benefit obligations (continued)		
In-service (employee) members	188	189
In-service (employee) non-members	119	119
Continuation (retiree and widow) members	26	26
	333	334

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	23,746,202	22,108,444
Assumed in an entity combination	-	(640,980)
Other	-	2,278,738
	23,746,202	23,746,202

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,210,821	1,276,818
Interest cost	2,042,405	1,905,387
Actuarial (gains) losses	2,932,353	(640,980)
Settlement	(1,061,051)	(903,467)
	5,124,528	1,637,758

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Discount rates used	9.35 %	9.46 %
Expected rate of return on assets	6.83 %	7.32 %
Expected rate of return on reimbursement rights	2.36 %	1.99 %
Actual return on reimbursement rights	4.75 %	5.12 %
Medical cost trend rates	4.39 %	4.13 %
Other material actuarial assumptions [provide details]	62	65

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 9.46% per annum has been used. The corresponding index-linked yield at this term is 2.97%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

These rates were calculated using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

Health Care Cost Inflation Rate of 7.32% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.82%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.99% which derives from $((1+9.46%)/(1+7.32%))-1$.

The expected inflation assumption of 5.82% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.97%) and those of fixed interest bonds (9.46%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.46%-0.50%)/(1+2.97%))-1$.

Sensitivity analysis

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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17. Employee benefit obligations (continued)

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	5,386,487	3,397,500
Effect on defined benefit obligation	26,402,883	23,468,000

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	35,246,852	22,108,000	20,471,000	20,144,000	20,080,000
Surplus (deficit)	(35,246,852)	(22,108,000)	(20,471,000)	(20,144,000)	(20,080,000)
Experience adjustments on plan liabilities	860,000	604,000	418,000	(237,000)	(2,306,000)

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

EPWP Grant	-	113,300
INEP Grant	-	1,032
RBIG Grant	-	22,184
ACIP Grant	-	8,902
Water Services Infrastructure Grant	-	1,554,151
	-	1,699,569

19. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Provision for rehabilitation of landfill sites	16,226,570	2,620,233	18,846,803

Reconciliation of provisions - 2018

	Opening Balance	Change in discount factor	Total
Provision for rehabilitation of landfill sites	14,884,031	1,342,539	16,226,570

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019	2018
R	R

19. Provisions (continued)

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 8.30%.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
19. Provisions (continued)		
Key assumptions		
Total Site Area	61 826 m ²	
Area of waste body to be rehabilitated in future (waste footprint) (m2)	46 055 m ²	
Estimated site closure date	2028	
Assumed site start date	1994	
Assumed total site life	36 years	
Remaining site life (as at 01 July 2018) (years)	approximately 10 years	
Estimated annual airspace consumption (m3)	6156	
Estimated total airspace (m3)	186 420	
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2018	10.29% (based on Government Bond yield rate of 9.035% and an Adjustment for risk of 1.25%)	
Estimated airspace remaining (m3)	72 241	
Airspace consumed to date		61 %

20. Revenue

Sale of stands	2,137,055	7,835,493
Service charges	142,326,754	139,836,426
Rental of facilities	1,214,927	1,688,622
Interest received on outstanding receivables	6,189,421	5,616,813
Agency services	1,133,103	941,704
Licences and permits	2,748,788	5,757,645
Other revenue	2,979,957	2,561,479
Interest investment	2,835,635	2,155,587
Property rates	43,409,469	39,020,719
Government grants & subsidies	274,017,192	236,985,510
Public contributions and donations	36,072,467	2,789,054
Fines, penalties and forfeits	1,756,338	1,120,100
	516,821,106	446,309,152

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of stands	2,137,055	7,835,493
Service charges	142,326,754	139,836,426
Rental of facilities	1,214,927	1,688,622
Interest on outstanding receivables	6,189,421	5,616,813
Agency services	1,133,103	941,704
Licences and permits	2,748,788	5,757,645
Other revenue	2,979,957	2,561,479
Interest on investments	2,835,635	2,155,587
	161,565,640	166,393,769

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	43,409,469	39,020,719
Transfer revenue		
Government grants & subsidies	274,017,192	236,985,510
Public contributions and donations	36,072,467	2,789,054
Fines, Penalties and Forfeits	1,756,338	1,120,100
	355,255,466	279,915,383

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
21. Service charges		
Sewer levied	11,035,153	17,913,515
Sale of electricity	102,165,487	91,393,144
Sale of water	20,773,685	21,755,399
Refuse removal	8,352,429	8,744,488
New connections and administration fees	-	29,880
	142,326,754	139,836,426
22. Rental of facilities		
Premises		
Premises	717,386	1,688,622
Facilities and equipment		
Rental of facilities	497,541	-
	1,214,927	1,688,622
23. Other revenue		
Other revenue	2,979,957	2,561,479
24. Investment revenue		
Interest revenue		
Bank	2,835,635	2,155,587
25. Property rates		
Rates levied		
Property rates levied	44,477,199	40,064,541
Less: Income forgone	(1,067,730)	(1,043,822)
	43,409,469	39,020,719
Valuations		
Residential	2,827,020,001	2,737,704,400
Commercial	925,736,287	851,340,300
State	627,560,000	130,037,800
Municipal	448,783,268	167,960,000
Agriculture	1,456,898,000	1,811,083,000
Industrial	209,574,000	184,204,500
Multiuse	143,449,000	-
Churches & charitable organisations	83,086,500	-
	6,722,107,056	5,882,330,000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to the impact of alterations, subdivisions and consolidations.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies realised		
Operating grants		
Equitable share	141,895,001	132,415,580
Library Grant	1,621,000	2,769,593
Finance Management Grant (FMG)	2,215,000	2,242,997
Expanded Public Works Program Grant (EPWP)	1,113,370	886,816
ACIP Grant	8,902	252,168
	146,853,273	138,567,154
Capital grants		
Municipal Infrastructure Grant (MIG)	52,793,000	54,204,318
Rural Bulk Infrastructure Grant (RBIG)	22,184	4,500,000
Integrated National Electrification Programme (INEP)	27,755,809	5,817,908
Water Services Infrastructure Grant (WSIG)	46,592,926	33,896,130
	127,163,919	98,418,356
	274,017,192	236,985,510

Conditional and Unconditional

Included in above are the following grants and subsidies received and or spent:

Conditional grants received	132,009,121	100,382,666
Unconditional grants received	141,895,001	132,415,580
	273,904,122	232,798,246

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	7,893,313
Converted to loan (Unapproved roll over) [1]	-	(7,900,000)
Current-year receipts	52,793,703	54,211,000
Conditions met - transferred to revenue	(52,793,703)	(54,204,313)
	-	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Library Grant

Balance unspent at beginning of year	-	948,593
Current-year receipts	1,621,000	1,821,000
Conditions met - transferred to revenue	(1,621,000)	(2,769,593)
	-	-

The purpose is to fund capital projects and maintenance of library facilities the community.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies realised (continued)		
Finance Management Grant (FMG)		
Balance unspent at beginning of year	-	98,000
Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	(2,215,000)	(2,243,000)
	<u>-</u>	<u>-</u>

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	113,300	116
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,113,300)	(886,816)
	<u>-</u>	<u>113,300</u>

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Integrated National Electrification Programme

Balance unspent at beginning of year	1,032	818,940
Current-year receipts	18,943,000	5,000,000
Conditions met - transferred to revenue	(27,755,809)	(5,817,908)
Overspent	8,811,777	-
	<u>-</u>	<u>1,032</u>

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

Municipal Water Infrastructure Grant (MWIG)

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	22,184	4,522,184
Current-year receipts	70	-
Conditions met - transferred to revenue	(22,254)	(4,500,000)
	<u>-</u>	<u>22,184</u>

Conditions still to be met - remain liabilities and are included under Unspent conditional grants.

[1] The rollover was not approved by National Treasury. The unapproved roll over was converted to a loan from National Treasury, the repayments were made from withholding of equitable share in three equal instalments of R4 266 666.67 and the last instalment was deducted in July 2018.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies realised (continued)		
ACIP Water Grant		
Balance unspent at beginning of year	8,902	261,070
Conditions met - transferred to revenue	(8,902)	(252,168)
	<u>-</u>	<u>8,902</u>

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Rural Housing Infrastructure Development

Balance unspent at beginning of year	-	70
Conditions met - transferred to revenue	-	(70)
	<u>-</u>	<u>-</u>

The purpose of this grant is to provide houses for the rural communities.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	1,554,151	3,950,280
Converted to loan (Unapproved roll over) [1]	-	(3,500,003)
Current-year receipts	45,000,000	35,000,000
Conditions met - transferred to revenue	(46,554,151)	(33,896,126)
	<u>-</u>	<u>1,554,151</u>

[1] The rollover was not approved by National Treasury. The unapproved roll over was converted to a loan from National Treasury, the repayments were made from withholding of equitable share in three equal instalments of R4 266 666.67 and the last instalment was deducted in July 2018.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

27. Allocations in kind

Balance unspent at beginning of year	-	109,449,000
Current-year receipts	83,853,000	10,300,000
Other (Development Bank of Southern Africa)	2,000,000	98,362,000
	-	787,000
	<u>85,853,000</u>	<u>218,898,000</u>

The following amounts were allocations in kind as per DORA Bill 5 of 2014. An allocation in kind is money allocated for spending by a national department on behalf of a province, local government or a municipality. National Treasury allocated funds to Gasegonyana area to build infrastructure. The municipality does not have control over the infrastructure. The donated income and/or assets thereof are not included in the municipality's Statement of Financial Position and Statement of Financial Performance.

28. Public contributions and donations

Public donations	<u>36,072,467</u>	<u>2,789,054</u>
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
29. Employee related costs		
Basic	79,385,629	68,709,942
Bonus - 13th Cheque	7,165,472	7,368,254
Medical aid - company contributions	6,201,580	5,936,443
UIF	626,369	597,361
Leave pay provision charge	(497,765)	5,581,430
Short term benefit	939,264	-
Employee benefit obligations	1,809,710	1,817,959
Defined contribution plans	9,905,237	9,998,368
Travel, motor car, accommodation, subsistence and other allowances	2,577,078	2,597,669
Overtime payments	6,512,429	7,882,709
Long-service awards	248,436	216,886
Acting allowances	1,724,778	987,454
Transport allowance	109,770	243,944
Housing benefits and allowances	3,235,124	2,961,132
Standby Allowance	2,689,938	1,763,137
Telephone Allowance	345,457	333,075
Group Insurance	1,893,116	1,817,436
Other Allowances	33,692	833,997
	124,905,314	119,647,196
Remuneration of Municipal Manager: M Tsatsimpe		
Annual remuneration	1,186,190	878,491
Car allowance	172,450	125,388
Contributions to UIF	1,785	2,676
Other contributions	138,822	65,939
	1,499,247	1,072,494
Remuneration of Chief Financial Officer : Kagiso Noke		
Annual Remuneration	923,252	897,483
Car Allowance	185,670	180,000
Contribution to UIF	1,785	3,569
Other contributions	112,574	73,204
	1,223,281	1,154,256
Remuneration of the Director: Community Services - P Sampson		
Annual Remuneration	-	1,001,144
Car Allowance	-	90,000
Contributions to UIF, Medical and Pension Funds	-	3,569
Other	-	74,075
	-	1,168,788
Additional text		

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
29. Employee related costs (continued)		
Remuneration of Director: Corporate Support Services - M Tsatsimpe		
Annual Remuneration	-	446,557
Car Allowance	-	41,796
Contributions to UIF, Medical and Pension Funds	-	892
	-	489,245
Remuneration of the Director: Corporate Support Services - Lencoe		
Acting allowance	189,840	339,775
Remuneration of the Director: Corporate Support Services - R Pule		
Annual Remuneration	171,666	171,665
Provision for leave	6,460	-
	178,126	171,665
Remuneration of the Director: Technical Services - H Smit		
Annual Remuneration	1,007,151	1,004,566
Car Allowance	102,270	75,500
Acting allowance (Municipal Manager)	-	38,389
Contributions to UIF	1,785	3,569
Other	108,904	73,607
	1,220,110	1,195,631
Provision for leave		
Municipal Manager	111,230	273,798
Chief Financial Officer	56,614	39,963
Director Technical Services	130,287	89,340
Director Community Services	-	32,050
Director Corporate Services	-	-
	298,131	435,151
30. Remuneration of councillors		
Mayor	885,025	792,541
Councillors	8,234,759	7,727,908
Speaker	695,094	841,168
	9,814,878	9,361,617
In-kind benefits		

The Mayor and Speaker are both full-time councillors of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
31. Depreciation and amortisation		
Plant and machinery	219,296	276,209
Furniture and fixtures	317,653	341,229
Motor vehicles	4,071,310	909,957
Office equipment	2,371,079	2,415,814
Infrastructure	52,372,864	46,340,757
Community	3,262,998	2,887,645
Emergency Assets	2,835	16,014
Intangible assets	169,812	304,386
	62,787,847	53,492,011
<p>Each part of an item of property, plant and equipment with a cost that is significant in relation to the total costs of the item has been depreciated separately.</p>		
32. Impairment of assets		
Impairments		
Property, plant and equipment	5,736,407	3,688,386
33. Finance costs		
Employee benefit obligations	2,438,500	2,255,539
Interest on provision for rehabilitation of land	2,620,233	1,342,540
Non-current borrowings	1,388,180	1,555,432
Trade and other payables	6,261,833	5,870,073
Finance leases	5,544,678	5,275,316
	18,253,424	16,298,900
34. Debt impairment - Gain/(loss)		
Contributions to debt impairment	61,023,914	(13,009,313)
Bad debts written off	356,262	-
	61,380,176	(13,009,313)
35. Debtors write-off		
Fines debtors written-off	-	8,101,654
Other debtors written-off	585,529	599,920
	585,529	8,701,574
36. Repairs and maintenance		
Repairs and maintenance	2,661,253	18,240,203
37. Bulk purchases		
Electricity	76,344,850	73,864,344
Water	26,594,114	25,223,601
	102,938,964	99,087,945

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
37. Bulk purchases (continued)		
The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in general expenses due to the nature of the municipality's contract with Sedibeng.		
38. General expenses		
Advertising	118,862	146,415
Auditors remuneration	5,314,998	5,783,354
Bank charges	836,394	939,497
Cleaning	418,611	286,829
Computer expenses	2,939,528	2,055,346
Consulting and professional fees	31,625,316	24,891,937
Consumables	8,589,199	-
VIP toilets	9,654,112	7,455,657
Entertainment	210,579	179,870
Hire	10,649,710	1,063,964
Insurance	6,518,983	1,966,415
IT expenses	12,449	8,745
Skills development	1,132,773	950,814
Medical expenses	19,424	-
Fuel and oil	3,153,184	2,447,092
Postage and courier	222,172	323,514
Printing and stationery	1,611,723	281,686
Protective clothing	1,525,786	69,985
Repairs and maintenance	2,661,253	18,240,203
Security (Guarding of municipal property)	6,155,384	5,914,482
Subscriptions and membership fees	1,311,084	243,223
Telephone and fax	131,966	239,927
Transport and freight	71,841	(1,697)
Training	593,438	385,364
Travel - local	2,856,909	2,566,787
Electricity	3,796,749	2,190,139
Refreshments	2,659,839	2,820,000
Cost of land sold	2,122,863	6,926,434
Traffic Services	363,005	374,855
Water quality management expenses	-	115,180
Sundry expenses	2,115,922	2,308,091
	109,394,056	91,174,108

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
39. Cash generated from operations		
Surplus	21,322,836	57,683,775
Adjustments for:		
Depreciation and amortisation	62,787,847	60,979,038
Fair value adjustments	(1,624,100)	-
Impairment deficit	5,736,407	3,609,243
Debt impairment	61,380,176	(13,009,313)
Movements in retirement benefit assets and liabilities	5,812,332	2,147,456
Movements in provisions	2,620,233	1,342,539
Impairment reversal	(2,478,848)	(69,289)
Opening balance adjustment	46,552,973	28,197,431
Changes in working capital:		
Inventories	(967,288)	7,095,814
Consumer debtors	(67,087,866)	(18,527,312)
Other receivables from non-exchange transactions	4,623,439	(4,506,021)
VAT	10,611,594	(6,265,628)
Conditional grants overspent	(8,850,553)	-
Payables from exchange transactions	(3,342,143)	86,852,326
Unspent conditional grants and receipts	(1,699,569)	(16,792,997)
Consumer deposits	(620,762)	1,131,880
	134,776,708	189,868,942

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	4,723,316	13,025,262
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Total capital commitments

Already contracted for but not provided for	4,723,316	13,025,262
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Total commitments

Total commitments

Authorised capital expenditure	4,723,316	13,025,262
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This committed expenditure relates to plant and equipment and will be financed by unspent grants rolled over as per conditions of Division Revenue Act as well as accumulated surplus.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
41. Contingent Liabilities		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Sulliman Attorneys Conveyancing and registration of property case brought against th municipality.	150,000	150,000
Van Rooyen This is a labour related issue where the municipality applied for a review of an arbitration by SALBGC which awarded Van Rooyen a payment of R250 000. The municipality is challenging the award. The outcome of the application for review is unknown.	250,000	250,000
Edward Ntefang This is a labour related issue in which CoGHSTA took Mr Ntefang to court with regards his appointment as the Municipal Manager at Ga-Segonyana. CoGHSTA was disputing Mr Ntefang's qualifications and experience to be appointed as a Municipal Manager.	65,000	65,000
Legal opinion (Monyela M L) CCMA awarded Monyela M.L. a payment of R28 044 and the municipality is challenging the decision. The municipality has applied for a review of the arbitration. The timing of cash outflows from the municipality is dependent on the outcome of the case which is unknown	-	28,044
Review: IMATU obo ML Monyela This is a labour related issue in which IMATU took the municipality to court with regard ro ML Monyela. The timing of cash outflows from the municipality is dependent on the outcome of the case which is unknown	150,000	150,000
OJM Engineers Contract appointment of a tender. The case has been rule din the Municipality's favour.	-	250,000
Public Liability claim: BNH829NC/CDX376NC Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	20,357
Property loss: Transformer Golf Club Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	55,461
Insurance. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	37,068
Public Liability: JJ Erasmus Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	12,651
Public Liability: APC Botes Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	14,750
Public Liability: PB Van der Merwe Insurance claim on municipality due to financial loss as a result of bad advice to replace water pipes on a stand from the municipality. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	10,064
Public Liability: BYN212NC Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	10,064
Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	10,064
Insurance claim due to damage on tyres at the municipal testing station due to faulty brake rollers. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown	-	10,064
Wrenchville illegal occupants portion ERF 1 (ERF 5702)	-	800,000

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
41. Contingent Liabilities (continued)		
This is as a result of a civil matter involving the eviction of illegal occupants. The illegal occupants have instituted a legal action against the municipality and the outcome of the legal action is unknown.		
Public liability claim : W Markram Insurance	-	17,853
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Insurance damage to wall. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Insurance injury on the job. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public liability: CMJ695NC	-	3,418
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
1962 Construction (Pty) Ltd	67,387,905	-
The Municipality is being sued by 1962 Construction (Pty) Ltd for which is a sub-contractor to the main contractor that was awarded a tender by the Municipality. The sub-contractor was not paid by the main contractor and want to recover their costs through the Municipality.		
Public liability: BYG807NC	-	40,224
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public liability: CGK133NC	-	51,796
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public Liability: CRV841NC	-	10,460
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public Liability: Damage to tyre due to pothole	-	3,669
Insurance claim against the municipality due to tyre damage caused by potholes. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public liability: Mr Boyise	-	54,031
Terms and conditions		
Public Liability: CPG617NC	-	16,345
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public Liability: CJZ611MZ	-	27,560
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
OJM Consulting Engineers	3,300,000	-
The contractor was awarded work on a project that was divided into three phases. They were appointed to work on phase one only but they are claiming work for the other two phases		
Diseko	150,000	-
The matter was involved in the Labour court Cape Town. The issue has been referred back to the bargaining council.		
The Wie-cla Insurance Broker	30,000	-
This is regarding electricity supply and the legal liability is R30 000		
Tsalanyang West and Environmental specialists	300,000	-

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
41. Contingent Liabilities (continued)		
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown Segomutsi Trading Enterprises	300,000	-
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown MI Suliman	100,000	-
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
	72,182,905	2,068,751

Contingent assets

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

42. Related parties

Relationships

Councillor K.B Madikiza	Battharos Sound Hire, Tlotlanang Catering & Bommesejo Services and Supply Co-operative Limited, By Fire Business Enterprise
Councillor N.G Thupaemang	Bafumahadi khumo Enterprise and Projects - Director Mmeotshwara Thipa Ka Ha Bogaleng Primary Cooperative Limited - Director Ditswammung Mineral Resources Consortium - Director Mseko Enterprise and Projects
Councillor N.S Bloem	Bomme-sejo Services and Supply Co-operative Limited
Councillor E.B Modise	Bomme-sejo Services and Supply Co-operative Limited
Councillor G.C Assegaai	Bomme-sejo Services and Supply Co-operative Limited - Director Gadikgadi - Director Self-Propelled Trading and Projects - Director
Community Services Director - P.J Sampson Technical Director - H. Smit	Mimoisa Business Solutions - Director Local Economic Development Agency of Mafikeng - Director Mafikeng Industry Development Zone - Director KAYN Projects - Director Tau Aggregate - Director Spectra Mining Solutions - Director Uqonda Property Investment 08 - Director Hentiq 2806
Chief Financial Officer: Kagiso Noke Councillor: W.A.S Aucamp	Masakeng A Dipodi Primary Co-operative Limited - Director Battharos Sound Hire - Director Tlotlanang Catering - Director Bomme-Sejo Services and Supply Co-operative Limited - Director By Fire Business Enterprise Mighty Metals - Director Gamotinye Investment Holdings - Directors Ditukus Project - Director Battharo Le Bathping Mining Solutions - Director Joyful Attempt Construction and Projects 99 Bokone Mining Primary Co-operative Limited Nkavutha Transport Services Mpho Ya Basadi Supplier and Projects Bangeko Construction and Projects Abotype Tulasign Abotrim Ladospace NC Women Mining Projects Retsogile Mining Resources Boka Resources - Director 22Tone Live Media Group AM Tlou Holdings Nomisa Enterprise - Director Letlotlo Lame Trading and Projects - Director PKS Trading - Director Phoggie N Segoo Trading Enterprise
Councillor: G.N Mntuyedwa	
Councillor: K.B Selepe	
Councillor: N.G Ngesi	
Councillor: G.N Masegela	
Councillor: O.D Mathibe Councillor: M.G Reetsang Councillor: M.P Galeboe	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

42. Related parties (continued)

Councillor: Disang

Councillor: L.N Makoke

Councillor: K.R Makwati

Councillor: Moagi

Councillor: I Tshetshemeserogwe

Municipal Manager: MM Tsatsimpe

Industrial Relations: OW Lencoe

MMA- Mpelelele- Ngwana Daycare

Phitlhelelo Driving School

Black Blazer Building Construction and Projects

Kgalagadi Bricks

1974 Celesti Trading and Projects

Tshetshemeserogwe 17 Enterprise

Kurara FM Radio Station

Hanswill Projects

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
42. Related parties (continued)		
Related party transactions		
Salaries paid to related parties of councillors		
R.M. Meyers (Wife to Councillor T.E. Meyers)	364,192	295,231
G. Sibi (Daughter to Councillor N.G Thupaemang)	385,759	327,179
K.V. Makoke (Brother to Councillor L.N. Makoke)	492,647	388,157
D. Baepi (Brother to Councillor L.C. Moseki)	489,379	444,976
K.M. Modise (Daughter to Councillor B.E. Modise)	254,036	214,669

Related party transactions

Related party transactions - Management

	2019 Transactions for the year	2019 Balance as at year end	2018 Transactions for the year	2018 Balance as at year end
Pule RC - Acting Director Corporate Services	-	-	12,260	380
Smit H.J - Director Technical Services	-	-	6,930	-
Tsatsimpe MM - Municipal Manager	-	-	23,174	-
	-	-	42,364	380

Remuneration of management

Councillors/Mayoral committee members

Refer to note "Remuneration of councillors" 30

Executive management

*Refer to note "Employee related costs" 29

Councillors arrear accounts

Refer to note "Additional disclosure in terms of Municipal Finance Management Act" 48

43. Risk management

Financial risk management

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

43. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	121,026,158	-	-	-
Finance lease obligation	5,603,275	1,935,960	-	-
Other financial liabilities	1,940,092	14,106,191	-	-
Consumer deposits	4,713,557	-	-	-
Employee benefit obligation	1,541,243	31,242,446	-	-
Unspent conditional grants and receipts	-	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	131,277,514	-	-	-
Finance lease obligation	4,773,650	7,442,049	-	-
Other financial liabilities	3,197,010	13,158,864	-	-
Consumer deposits	5,334,319	-	-	-
Employee benefit obligation	1,618,925	25,352,432	-	-
Unspent conditional grants and receipts	1,699,569	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2019	30 June 2018
Receivables from exchange transactions	57,358,104	51,650,414
Receivables from non-exchange transactions	21,521,683	26,145,122
Cash and cash equivalents	551,057	11,688,188

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

44. Going concern

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

- Creditors days in 2019 are 94 and in 2018 are 97

- Debtors days in 2019 are 130 and in 2018 are 54

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution

	2019/20	2020/21	2020/22	Total
Finance Management Grant (FMG)	2,680,000	3,112,000	3,376,000	9,168,000
Expanded Public Works Program (EPWP)	1,274,000	-	-	1,274,000
Municipal Infrastructure Grant (MIG)	53,302,000	56,218,000	60,412,000	169,932,000
Integrated National Electrification Grant	39,560,000	2,560,000	2,700,000	44,820,000
Water Services infrastructure (WSIG)	95,000,000	39,765,000	41,857,000	176,622,000
Library grant	1,621,000	1,797,000	1,797,000	5,215,000
Equitable Share	159,726,000	174,827,000	191,857,000	526,410,000
	353,163,000	278,279,000	301,999,000	933,441,000

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2019 (MIG, WSIG, INEP and Equitable share), August 2019 (FMG) and September 2019 (Library and EPWP).

In addition, the municipality collects revenue for services rendered and this will augment their cash flows in subsequent years

There was an outbreak of COVID-19 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared 21 days of lockdown. In spite of the COVID-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) will also be used to support salaries during this period. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseeable future.

2019	2018
R	R

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

45. Unauthorised expenditure

Unauthorised expenditure	41,225,363	289,513,086
Current year	180,962,436	41,225,363
Written-off	(41,225,363)	(289,513,086)
	180,962,436	41,225,363

The current year unauthorised expenditure of R180 415 010 also includes R28 357 185 which is funding received from the mines for water projects as the RBIG grant was exhausted..

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

45. Unauthorised expenditure (continued)

Reconciliation of operating and capital expenditure versus actual

Operating expenditure budget

Vote Description	Budget Year 2018/19			Budget Year +1 2018/19	Actual spent	Budget vs actual
	Original Budget	Other Adjustments	Adjusted Budget <i>[Insert departmental structure etc]</i>	Adjusted Budget	GL amount by vote	Unauthorised
Expenditure by Vote						
Vote 1 - EXECUTIVE & COUNCIL	14,175,704.00	632,004.00	14,807,708.00	14,807,708.00	14,436,405.70	(371,302.30)
Vote 2 - FINANCE AND ADMINISTRATION	150,666,218.00	8,580,806.00	159,247,024.00	159,247,024.00	200,157,221.06	40,910,197.06
Vote 3 - COMMUNITY AND SOCIAL SERVICES	10,136,835.00	(1,227,416.00)	8,909,419.00	8,909,419.00	9,574,372.66	664,953.66
Vote 4 - SPORTS & RECREATION	8,546,738.00	(920,796.00)	7,625,942.00	7,625,942.00	8,037,258.52	411,316.52
Vote 5 - PUBLIC SAFETY	3,247,011.00	(488,496.00)	2,758,515.00	2,758,515.00	2,604,856.02	(153,658.98)
Vote 6 - PLANNING AND DEVELOPMENT	19,272,387.00	(421,618.00)	18,850,769.00	18,850,769.00	19,525,225.47	674,456.47
Vote 7 - ROAD TRANSPORT	20,796,324.00	(1,099,494.00)	19,696,830.00	19,696,830.00	18,347,954.69	(1,348,875.31)
Vote 8 - ENVIRONMENTAL PROTECTION	191,980.00	(6,000.00)	185,980.00	185,980.00	192,591.34	6,611.34
Vote 9 - ENERGY SOURCES	94,870,279.00	4,812,926.00	99,683,205.00	99,683,205.00	163,129,882.51	63,446,677.51
Vote 10 - WATER MANAGEMENT	29,759,947.00	(419,998.00)	29,339,949.00	29,339,949.00	32,249,314.10	2,909,365.10
Vote 11 - WASTE WATER MANAGEMENT	15,971,170.00	680,000.00	16,651,170.00	16,651,170.00	17,099,252.98	448,082.98
Vote 12 - WASTE MANAGEMENT	13,827,422.00	(470,004.00)	13,357,418.00	13,357,418.00	17,538,289.29	4,180,871.29
Vote 13 - OTHER	45,000.00	10,002.00	55,002.00	55,002.00	-	(55,002.00)
Total Expenditure by Vote	381,507,015.00	9,661,916.00	391,168,931.00	391,168,931.00	502,892,624.34	111,723,693.34

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

45. Unauthorised expenditure (continued)

Capital expenditure budget

Vote Description	Budget Year 2018/19		Budget Year +1 2018/19		Actual spent GL amount by vote	Budget vs actual Unauthorised
	Original Budget	Other Adjus. <i>[Insert departmental structure etc]</i>	Adjusted Budget	Adjusted Budget		
Single-year expenditure to be adjusted						
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION	2,119,500.00	(219,000.00)	1,900,500.00	1,900,500.00	1,405,227.00	-
Vote 3 - COMMUNITY AND SOCIAL SERVICES	7,591,248.00	(1,532,000.00)	6,059,248.00	6,059,248.00	9,954,549.62	3,895,301.62
Vote 4 - SPORTS & RECREATION	11,840,000.00	(8,290,000.00)	3,550,000.00	3,550,000.00	-	-
Vote 5 - PUBLIC SAFETY	285,000.00	(215,000.00)	70,000.00	70,000.00	-	-
Vote 6 - PLANNING AND DEVELOPMENT	1,438,000.00	(133,000.00)	1,305,000.00	1,305,000.00	-	-
Vote 7 - ROAD TRANSPORT	30,327,469.00	(955,000.00)	29,372,469.00	29,372,469.00	23,867,137.20	-
Vote 8 - ENVIRONMENTAL PROTECTION	75,000.00	(75,000.00)	-	-	-	-
Vote 9 - ENERGY SOURCES	1,000,000.00	17,943,000.00	18,943,000.00	18,943,000.00	24,241,846.20	5,298,846.20
Vote 10 - WATER MANAGEMENT	11,817,291.00	(500,000.00)	11,317,291.00	11,317,291.00	38,629,484.51	27,312,193.51
Vote 11 - WASTE WATER MANAGEMENT	33,682,709.00	-	33,682,709.00	33,682,709.00	-	-
Vote 12 - WASTE MANAGEMENT	-	-	-	-	32,732,400.85	32,732,400.85
Capital single-year expenditure sub-total	100,176,217.00	6,024,000.00	106,200,217.00	106,200,217.00	130,830,645.38	69,238,742.18
Total Unauthorised						180,962,435.52

46. Fruitless and wasteful expenditure

Opening balance(2019, 2018-as Previously reported)	1,887,407	3,953,575
Fruitless and wasteful expenditure	5,911,841	5,700,893
Written off	(5,648,758)	(7,767,061)
	2,150,490	1,887,407

The fruitless and wasteful expenditure relates to interest charged by Eskom on bulk purchases account arrears. The municipality was unable to pay Eskom account in time due to late and non-payment of services and rates account by municipal consumers. An arrangement with Eskom was entered into in May 2018 and has been complied with until the last day of the financial year. This arrangement exists to curb increase in the interest charged. Interest on Eskom account amounted to R5 628 430 and interest on other accounts amounted to R795 390.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
47. Irregular expenditure		
Opening balance	167,257,098	410,410,352
Add: Irregular Expenditure - current year	4,537,792	9,690,773
Add: Irregular Expenditure - current year identified during the audit	79,302,649	110,813,951
Less: Written-off - current year	(815,659)	(5,360,436)
Less: Write-off of prior year	(167,257,098)	(358,297,542)
	83,024,782	167,257,098

Steps taken with regards to Irregular expenditure

An investigation of irregular expenditure was conducted by MPAC and they recommended Council to write-off irregular expenditure.

The amount disclosed for irregular expenditure for the reported financial years is mainly as a result of the following reasons:

- Irregular expenditure arose as a result of Bid Adjudication Committee composition not comprising of four senior managers as per regulation 16 of the MFMA in the prior periods (2016/17), this affected the two outer years 2017/18 and 2018/19 on three-year capital programs that were procured in 2016/17 financial year. These expenditures amounted to (2018/19) R32 538 601), (2017/18) R149 596 094..
- These expenditures were subjected to a thorough investigation by Municipal Public Accounts Committee and the Internal Audit unit to establish as to whether there were any financial losses suffered by the municipality and if there was wrongdoing by any official. The committee recommended to Council to write off these expenditures as no wrong doing was found to have been done by any official and no losses were suffered by the municipality as the non-compliance was on composition of the committee in the prior years.
- During the 2018/19 the Bid Adjudication Committee of the municipality comprised of four senior managers as per the regulations and was chaired by the Chief Financial Officer.
- Further instances of Irregular Expenditure that might have resulted from non-compliance with SCM processes are under investigation to determine the full extent of the amount

48. Additional disclosure in terms of Municipal Finance Management Act

Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA

30 June 2019	Lost units	Tariff	Value
Unaccounted electricity losses	17 245 047	0,95	16 382 794,3
30 June 2018			
Unaccounted electricity losses	18 166 042	0,95	17 257 739,9
Volume in KWH/year		30 June 2019	30 June 2018
System Input Volume		78 600 284	78 600 284
Billed Consumption		61 355 237	60 484 242
Distribution Loss		17 245 047	18 116 042
Percentage Distribution Loss (%)		21,94%	23,05%
30 June 2019	Lost units	Tarriff	Value
Unaccounted for water losses	4 051 060	4.25	17 217 000
30 June 2018			
Unaccounted for water losses	3 310 611	4.32	14 301 840
Volume in Kl/year		30 June 2019	30 June 2018
System Input Volume		5 796 468	5 075 302
Billed Consumption		1 861 251	1 764 691
Distribution Loss		4 051 060	3 301 611
Percentage Distribution Loss (%)		68,00%	65,23%

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
48. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Included in both water and electricity losses is the municipal own consumption at various municipal facilities.		
SDL		
Current year subscription / fee	1,052,634	997,469
Amount paid - current year	(1,052,634)	-
	<u>-</u>	<u>997,469</u>
PAYE and UIF		
Current year subscription / fee	16,750,823	15,856,791
Amount paid - current year	(16,750,823)	(15,856,791)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	18,846,367	25,338,121
Amount paid - current year	(18,846,367)	(25,338,121)
	<u>-</u>	<u>-</u>

VAT

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
D.T Mpata	284	12,370	12,654
E.B Modise	-	4,331	4,331
B.A. Eiman	1,369	1,918	3,287
N.G. Masengela	942	2,130	3,072
G.N. Mntuyeduo	-	12	12
	2,595	20,761	23,356

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
D.T Mpata	403	11,851	12,254
E.B Modise	46	1,440	1,486
G.C Assegaai	100	3,199	3,299
L.R Nelson	2,120	-	2,120
G.N. Mntuyedwa	-	11	11
	2,669	16,501	19,170

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers and residents.

The above balances were not impaired.

Grants that did not meet conditions

National Treasury withheld an amount of R10 million rand in lieu of Municipal Infrastructure Grant (MIG) due to undespending on the grant.

49. Auditors' remuneration

External Audit	4,000,299	4,123,456
Internal Audit	1,314,699	1,659,898
	5,314,998	5,783,354

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

50. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	At cost	Total
Conditional grants overspent	-	8,850,553	-	8,850,553
Trade and other receivables from exchange transactions	-	57,358,104	-	57,358,104
Other receivables from non-exchange transactions	-	21,521,683	-	21,521,683
Cash and cash equivalents	-	-	551,057	551,057
VAT	-	10,963,587	-	10,963,587
	-	98,693,927	551,057	99,244,984

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	16,046,283	-	16,046,283
Trade and other payables from exchange transactions	-	127,935,369	-	127,935,369
Finance lease liability	-	7,539,235	-	7,539,235
Consumer deposits	-	4,713,557	-	4,713,557
	-	156,234,444	-	156,234,444

2018

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	51,650,414	-	51,650,414
Other receivables from non-exchange transactions	-	26,145,122	-	26,145,122
Cash and cash equivalents	-	-	11,688,188	11,688,188
VAT	-	21,575,181	-	21,575,181
	-	99,370,717	11,688,188	111,058,905

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	16,355,974	-	16,355,974
Trade and other payables from exchange transactions	-	131,479,350	-	131,479,350
Finance lease obligation	-	12,215,699	-	12,215,699
Consumer deposits	-	5,334,319	-	5,334,319
	-	165,385,342	-	165,385,342

Credit quality of other assets that are neither past due nor impaired

The municipality evaluates the credit risk of all its customers on an on-going basis taking into account the financial position, past payment history and also considers the municipality's internal control systems on debt collection and credit risk management.

Financial assets that is past due but not impaired

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Financial instruments disclosure (continued)

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing."

Counterparty and Location

Receivables from non-exchange transactions

1 month past due	455,154	7,034,925
2 months past due	458,854	3,060,376
3 months past due	208,509	2,071,500

Receivables from exchange transactions

1 month past due	8,472,664	7,734,125
2 months past due	3,675,334	3,225,856
3 months past due	2,538,662	2,364,123

15,809,177	25,490,905
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Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Motor vehicle and housing loans	-	61,070
Other receivables from non-exchange revenue	72,593	16,959
Consumer debtors - non-exchange transactions	35,475,734	18,422,620
Cash and cash equivalents	551,057	11,688,188
Consumer debtors - exchange transactions	77,406,412	58,674,983
Sundry debtors	27,958,562	23,729,070

Maximum Credit and Interest Risk Exposure

141,464,358	112,592,890
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

51. Deviations

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

Reason	Month	Supplier	Amount	Description
The fire truck (CFC 780 NC) has to undergo the regular mileage services and maintenance. The truck was manufactured by Marce Projects (Pty) Ltd and as a result it is impractical to take the truck to any service garage for maintenance and services exercise. The truck must be urgently serviced since we are heading for the fire season.	10 July 2018	Marce Projects (Pty) Ltd	52,978	Erection of Palisade at Wrenchville Stadium
Only Xerox can issue these goods as they have the sole rights to supply them.	16 July 2018	Rosstech (Pty) Ltd	4,370	Supply of Toner Cartridge
We are unable to obtain three quotations from various service providers for the Org Plus Professional Software. Altula is the Sole Provider to distribute Inspeerity OrgPlus Software and contracted qith Kimru IT Logix (Pty) Ltd to be the exclusive distributor in South Africa.	03 August 2018	Kimru IT Logix (Pty) Ltd	30,944	Supply of Software
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	08 August 2018	AMC Funerals	2,250	Supply of Burial Coffin
No three quotations can be sourced since it a unique event only held by SAMSRA.	15 August 2018	SAMSRA NC	6,000	Sports Affiliation Fee
The Sole supplier authorised to service the calibration machine.	15 August 2018	Workshop Electronics (Pty) Ltd	35,066	Calibration of Testing Machine
Sewerage water was running through the residential yard of Wrenchville settelement. This was a health risk towards the community and needs an URGENT attention.	31 August 2018	Excellence Business Academy	29,325	Unblocking and Cleaning of Sewer Line (Wrenchville)
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	03 September 2018	Rekathusa Funeral Parlour (Pty) Ltd	950	Supply of Burial Coffin
CSD Non - Tax Compliant. The services can only be supplied by SAPO.	10 September 2018	SAPO	2,275	Postage
To upgrade the sytsem that belongs to the specific service provider, can ONLY be provided by that services provider. In this instance the service provider of the traffic system is Total Computer Services (Pty) Ltd.	13 September 2018	Total Computer Services (Pty) Ltd	43,700	Traffic Contravention Management System Software
Some parts of the Wrenchville residential area has been without water for the past two weeks. Pumps that distributes warer from the resorvior are currently damaged beyond repair, they need to be replaced urgently. Community unrest was brewing.	13 September 2018	C Pac Pumps (Pyt) Ltd	299,000	Supply of Split Case Pump (Wrenchville Reservoir)
CSD Non - Tax Compliant. The services can only be supplied by SAPO.	17 September 2018	South African Post Office	8,612	Postage
CSD Non - Tax Compliant. The services can only be supplied by SAPO.	17 September 2018	South African Post Office	56,629	Postage
CSD Non - Tax Compliant. The services can only be supplied by SAPO.	17 September 2018	South African Post Office	12,512	Postage
CSD Non - Tax Compliant. The services can only be supplied by SAPO.	05 October 2018	South African Post Office	534	Postage

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

51. Deviations (continued)

CSD Non - Tax Compliant. The services can only be supplied by SAPO.	08 October 2018	South African Post Office	168	Postage
CSD Non - Tax Compliant. The services can only be supplied by SAPO.	11 October 2018	South African Post Office	307	Postage
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	15 October 2018	Rekathusa Funeral Parlour (Pty) Ltd	950	Supply of Burial Coffin
The service provider has to diagnose the fault on the electrical works on the Fire Truck engine. Our mechanics could NOT fix the problem and as a result the truck was sent to Alpha Auto Electrical for fault finding on the engine. The truck had to be urgently serviced since we were heading for the fire season.	24 October 2018	Alpha Auto (Pty) Ltd	6,522	Fault Finding on Fire Truck Engine
Sole Provider. The machine (Franking) has to undergo the annual services and maintenance works. Hasler Business Systems (Pty) Ltd are the sole providers of the franking machine and only them can service the machine.	07 November 2018	Hasler Business Systems (Pty) Ltd	3,990	Annual Maintenance/ Service
The Speaker had to take the car in for service. That service can only be done by the Mercedes Benz accredited dealership.	07 November 2018	Ronnies Motors East London	4,087	Car Millage Services
This association is responsible for the preparation and hosting of municipal inter games. The association is not registered on CSD.	13 November 2018	SAMSRA NC	1,500	Sports Affiliation Fee
The speaker's car taken into the dealership to replace a front sensor. Only Mercedes Benz dealership can undertake this services as the make of the vehicle is Mercedes Benz.	14 November 2018	John Williams Motors	4,186	Replacement of Front Sensor
The District Municipality provides the internal audit and risk management services to Ga-Segonyana Local Municipality. At the time of the business the District Municipality was Tax Non Compliant as per the CSD search.	21 November 2018	John Taolo Gaetsewe District Municipality	366,298	Internal Audit & Risk Management Fee
The District Municipality provides the internal audit and risk management services to Ga-Segonyana Local Municipality. At the time of the business the District Municipality was Tax Non Compliant as per the CSD search.	21 November 2018	John Taolo Gaetsewe District Municipality	4,983	Internal Audit & Risk Management Fee
The District Municipality provides the internal audit and risk management services to Ga-Segonyana Local Municipality. At the time of the business the District Municipality was Tax Non Compliant as per the CSD search.	21 November 2018	John Taolo Gaetsewe District Municipality	14,962	Internal Audit & Risk Management Fee
The CSD search on the entity indicates that the service provider is Non Tax Compliant. The municipality needs disc licenses for service delivery vehicles.	22 November 2018	South African Post Office	6,391	License Disc Fee
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	26 November 2018	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	26 November 2018	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	26 November 2018	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	26 November 2018	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	26 November 2018	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
The CSD search on the entity indicates that the service provider is Non Tax Compliant. The municipality needs disc licenses for service delivery vehicles.	26 November 2018	South African Post Office	354	License Disc Fee

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

51. Deviations (continued)

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	11 December 2018	AMC Funeral Parlour	950	Supply of Burial Coffin
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	11 December 2018	Rekathusa Funeral Parloour	950	Supply of Burial Coffin
The Municipality was struggling with water supply at Ward One (KURUMAN). Electrical materials were stolen where cables were taken and as a result we the Kuruman borehole was not pumping enough water for the town. Members of the community were already up in arms over the situation, and they are threatening an community strike. It must be noted that an insurance claim was made with our insurance company, and the delay came through the processes that they undertook to authorise that claim. They had to come to the site and do a security assessment and also assess the value of the stolen goods.	06 December 2018	C-Pac Pumps and Valves	161,516	Electrical Cabling and Supply of Electrical Accesories at the Borehole Pump Station in Kuruman
The service provider took the Municipality to the Public Protector and the Municipality was ordered to reimburse the service provider the legal costs incurred. While we were on the process of paying the supplier, we did the CSD search and found out that the supplier is Non Tax Complaint.	06 December 2018	Kgomongwe Security Services	2,530	Legal Cost (PP Order)
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	11 December 2018	Rekathusa Funeral Parloour	880	Supply of Burial Coffin
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	11 December 2018	Rekathusa Funeral Parloour	950	Supply of Burial Coffin
The winch had been idle for months with faults. It had not worked for some time.	20 December 2018	Gerraph Trading Enterprise cc	28,750	Repairs To Winch Machine
The CSD search on the entity indicates that the service provider is Non Tax Compliant.	20 December 2018	South African Post Office	49,223	Postage Fee
Some parts of Kuruman residential area (Botha and Sorrounding streets), has for the past 7 days or so expirienced no power. Residents have been without power for that period. It is on this basis that the cable must be procured as urgently as possible, since residents have been without power for such a long time.	01 February 2019	Sean Blake	431,940	Supply of Cable
The service provider is currently Non Tax compliant (Unable to determine Tax Compliance- Refer to Tax REF Nr Status) as per the CSD search don on the service provider. Councillors have to continue with their studies and have enerolled with the university from last year. No three quotations can be sourced, no Reg 18 procurement can be undertaken since this is inter-government transaction. However the service provider should be TAX COMPLIANT at the time of doing business with the munivipslity.	04 February 2018	University of Fort Hare	131,072	Study Fees
The university is NOT compliant at thsi stage and concillors must enrol wthit, for their academic year (3rd and 1st years). They must be provided with study materials and must attend classes, which cannot be done brfore a paymet of the tuition fee. It is on this basis that the municipality has to deviate.	26 February 2019	Zelco Motors	8,972	Car Services
The car (Mayor) has to be taken in for car services (millage), where it can only be serviced at the Mercedes Benz Dealership. It must be noted that the service plan on the car has lapsed and everytime the car reaches the kilometres and/ or period where it needs to be serviced, the municipality has to bear the cost.	14 March 2019	Alpha Auto Towing	4,600	Tow Services
The grader was stuck in the Magojaneng while trying to excavate trenches. No three quotations could not be sourced as the time to do that has lapsed. It was after hours and only Alpha Auto Towing was available at that time.				

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

51. Deviations (continued)

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	07 March 2019	AMC Funerals	950	Supply of Burial Coffin
Only Mercedes-Benz accredited suppliers can service the car since the car made is that of Mercedes-Bens. The car is due to service and the Mayor is currently in Pretoria hence the service in Pretoria.	14 March 2019	Mercedes-Benz Wonderboom	8,219	Car Services
	26 March 2019	Thusano Electrical	28,474	Supply of Electrical Materials
The fire truck was involved in accident while extinguishing fire in a field. The car was taken to a panelbeater that is accredited to our insurer. The panelbeater is not registered on the CSD.	14 March 2019	Top Car Panelbeaters	5,000	Excess Fee (Accident to the Fire Truck)
The calibration machine needed maintenance and repairs at the Traffic Department. The supplier is the sole supplier of the product/machine.	18 March 2019	Workshop Electronics	16,942	Calibration of Testing Machine
The calibration machine needed maintenance and repairs at the Traffic Department. The supplier is the sole supplier of the product/machine.	18 March 2019	Workshop Electronics	22,934	Calibration of Testing Machine
The Wrenchville stadium has been booked out to Merakeng Foundation for the jazz musical festival on the 20th April 2019. On the 15th April 2019, SCM unit received a request to source services for the erection of the palisade fence. The work was assessed and quotations were sourced from service providers	15 April 2019	Barolong Bakery and Projects (Pty) Ltd	57,249	Erection of Palisade at Wrenchville Stadium
The steer wheel lift was due for services, when the service provider who was appointed to install the machine was requested to carry out services, he encountered that the lift was malfunctioning. It was then requested that the service provider must strip the machine and find the fault.	18 April 2019	Omogolo Consulting (Pty) Ltd	65,000	Repairs, Maintenance and Periodic Service - LIFT
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	23 April 2019	AMC Funeral Parlour	950	Supply of Burial Coffin
This is an association responsible for municipal games. Quotations can only be sourced from them since it a unique event only held by SAMSRA. The association is not CSD Registered	07 May 2019	SAMSRA	2,000	Affiliation Fee Provincial Games
The municipality uses the services of TCS for capturing of traffic fines and other related traffic transactions. The system used is owned by the company and they have the sole rights to it. They have provided the hardware and software for these services and as a result they have to be serviced and maintained. The licence is renewable annually and the service is periodic. Currently the Traffic department cannot capture the traffic fines issued due to the non-renewal of the licence. Only from TCS can the quotation be sourced due to sole rights ownership	22 May 2019	Total Computer Services (Pty) Ltd	55,488	License and Service Fee
On the 18th May 2019 the town experienced power outage in Kuruman town, amongst items needed to restore power was fuses, which were not available at the Municipal Stores. Items were not readily available even in Kuruman and the service provider had to collect them in Kathu. It was impractical to source three quotations as these services/ products were requested on an emergency basis.	30 May 2019	Thusano Electrical (Pty) Ltd	6,442	Supply of Fuses
The car indicated some malfunctioning, and it was taken to the dealer to diagnose the problem. Upon the diagnosis the fault was detected and identified, then the service provider was instructed to fix the problem. It must be noted that only Mercedes Benz accredited suppliers can work on the repairs and maintenance of the car, and further note must be that the car has ran out of the motor plan, so any work done on the car the municipality must bear the cost.	23 May 2019	Zelco Motors	20,411	Repairs and Maintenance

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

51. Deviations (continued)

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.

22 May 2019	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
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Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.

22 May 2019	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
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Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.

19 June 2019	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
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Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.

19 June 2019	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
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2,120,785

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

52. Prior period errors

	Note(s)	Previously reported R	Adjustment R	Re- classification R	Restated R	Re
Assets						
Current Assets						
Inventories	3	53,804,637	(5,432,438)	-	48,372,199	[1]
Receivables from non-exchange transactions	4	19,738,879	6,406,243	-	26,145,122	[2]
Receivables from exchange transactions	6	46,119,454	5,530,960	-	51,650,414	[3]
VAT	5	17,189,868	4,385,313	-	21,575,181	[4]
Cash and cash equivalents	8	11,688,188	-	-	11,688,188	
		148,541,026	10,890,078	-	159,431,104	
Non-Current Assets						
Investment property	9	6,756,100	5,311,100	-	12,067,200	[5]
Property, plant and equipment	10	1,256,171,559	17,634,212	-	1,273,805,771	[6]
Intangible assets	11	350,553	-	-	350,553	
Heritage assets	12	1,655,642	-	-	1,655,642	
		1,264,933,854	22,945,312	-	1,287,879,166	
Total Assets		1,413,474,880	33,835,390	-	1,447,310,270	
Liabilities						
Current Liabilities						
Other financial liabilities	13	7,451,010	-	-	7,451,010	[7]
Finance lease obligation	14	4,773,650	-	-	4,773,650	
Payables from exchange transactions	15	125,667,955	5,609,559	-	131,277,514	[8]
Consumer deposits	16	5,334,319	-	-	5,334,319	
Employee benefit obligation	17	1,618,925	-	-	1,618,925	
Unspent conditional grants and receipts	18	1,699,569	-	-	1,699,569	
		146,545,428	5,609,559	-	152,154,987	
Non-Current Liabilities						
Other financial liabilities	13	13,158,864	-	-	13,158,864	
Finance lease obligation	14	7,442,049	-	-	7,442,049	
Employee benefit obligation	17	25,352,432	-	-	25,352,432	
Provisions	19	12,891,497	3,335,073	-	16,226,570	[9]
		58,844,842	3,335,073	-	62,179,915	
Total Liabilities		205,390,270	8,944,632	-	214,334,902	
Net Assets		1,208,084,610	24,890,758	-	1,232,975,368	
Reserves						
Revaluation reserve		14,835,415	(14,835,415)	-	-	[10]
Accumulated surplus		1,193,249,195	39,726,173	-	1,232,975,368	[11]
Total Net Assets		1,208,084,610	24,890,758	-	1,232,975,368	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

52. Prior period errors (continued)

Notes

Trade payables	83,390,390	5,811,395	-	89,201,785
Accruals	6,718,262	-	-	6,718,262
Unallocated deposits	947,393	-	-	947,393
Retention monies	12,394,997	-	-	12,394,997
Sale of stands	9,588,264	(201,837)	-	9,386,427
Sundry payables	2,617,685	-	-	2,617,685
Debtors with credit balances	2,092,317	-	-	2,092,317
Employee costs accrual	5,892,002	-	(7,745,080)	(1,853,078)
Group life Insurance	2,026,646	-	-	2,026,646
Leave pay provision	-	-	5,408,059	5,408,059
Bonus provision	-	-	2,337,021	2,337,021
	125,667,956	5,609,558	-	131,277,514

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

52. Prior period errors (continued)

Statement of Financial Performance

	Note(s)	Previously reported R	Adjustment R	Re- classification R	Restated R	Re
Revenue						
Revenue from exchange transactions						
Sale of goods		864,010	6,971,483	-	7,835,493	
Service charges	21	140,660,584	(824,158)	-	139,836,426	[12]
Rental of facilities and equipment	22	1,688,622	-	-	1,688,622	
Interest received (trading)		5,616,813	-	-	5,616,813	
Agency services		-	941,704	-	941,704	
Licences and permits		5,757,645	-	-	5,757,645	
Other income		2,561,479	-	-	2,561,479	
Interest received - investment	24	2,155,587	-	-	2,155,587	
Total revenue from exchange transactions		159,304,740	7,089,029	-	166,393,769	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25	38,408,384	612,335	-	39,020,719	[13]
Transfer revenue						
Government grants & subsidies	26	232,798,246	4,187,264	-	236,985,510	
Public contributions and donations	28	2,789,054	-	-	2,789,054	
Fines, Penalties and Forfeits		1,120,100	-	-	1,120,100	
Total revenue from non-exchange transactions		275,115,784	4,799,599	-	279,915,383	
Total revenue	20	434,420,524	11,888,628	-	446,309,152	
Expenditure						
Employee related costs	29	(119,647,196)	-	-	(119,647,196)	
Remuneration of councillors	30	(9,361,617)	-	-	(9,361,617)	
Depreciation and amortisation	31	(53,492,011)	-	-	(53,492,011)	
Impairment loss/ Reversal of impairments	32	(3,688,386)	-	-	(3,688,386)	
Finance costs	33	(22,977,435)	6,678,535	-	(16,298,900)	[14]
Debt Impairment	34	20,144,431	(7,135,118)	-	13,009,313	[15]
Collection costs		(8,701,574)	-	-	(8,701,574)	
Bulk purchases	37	(99,087,945)	-	-	(99,087,945)	
Contracted services		(11,441,002)	33,999,577	(22,558,575)	-	[16]
Fair value adjustments		-	-	-	-	
General Expenses	38	(72,287,821)	(41,444,862)	22,558,575	(91,174,108)	[17]
Total expenditure		(380,540,556)	(7,901,868)	-	(388,442,424)	
Operating surplus		53,879,968	3,986,760	-	57,866,728	
Loss on disposal of assets and liabilities		(709,270)	-	-	(709,270)	
Actuarial gains/losses	17	526,317	-	-	526,317	
		(182,953)	-	-	(182,953)	
Surplus for the year		53,697,015	3,986,760	-	57,683,775	

[1] Inventory was adjusted by R(5,432,438) to correct water that was understated in the prior year..

[2] Receivables from non-exchange transactions R54

[3] Receivables from exchange transactionse R5,530,960

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	2019	2018
Note(s)	R	Restated* R
52. Prior period errors (continued)		
[4] VAT was understated by R4,385,313 and the error was adjusted after reviewing prior year VAT returns and SARS statements and adjustments done accordingly.		
[5] Investment property was adjusted by R5,311,100.		
[6] Property, plant and equipment was adjusted for an overstatement of R17,634,212 related to prior year assets that were included in the Fixed asset register as a result of completeness issues identified during the physical verification exercise conducted.		
[7] Other financial liabilities were adjusted by the same amount of R-. This was due to reclassification error.		
[8] Trade payables and accruals were adjusted by the same amount of R5,609,559. This was due to reclassification error.		
[9] Provisions were adjusted by an amount of R3,335,073 due to prior year interest incorrectly calculated.		
[10] Revaluation surplus was written-off to accumulated surplus by an amount of R(14,835,415) due to assets that were donated in prior years at cost taken as a revaluation instead of income.		
[11] Accumulated surplus was adjusted by R39,726,173. due to other adjustments from various components of the financial statements.		
[12] Service charges were adjusted by R(824,158) to restatement of prior year service charges which were recalculated.		
[13] Property rates were readjusted by R612,335 as the rates were recalculated and restated.		
[14] Finance costs were adjusted after recalculations to the value of R6,678,535		
[15] Impairment of debtors was adjusted after recalculations to the value of R(7,135,118)		
[16] Consulting fees were reclassified from General expenses to Contracted services and were adjusted by and reclassification of R(22,558,575)		
[17] General expenses were adjusted by R(41,444,862) and Consulting fees were reclassified from General expenses to Contracted services and were adjusted by R22,558,575		

The accounting policies on pages 16 to 37 and the notes on pages 38 to 93 form an integral part of the annual financial statements.

53. Events after the reporting date

Investment property was subsequently revalued after year end in July 2018 in line with the municipality's policy of revaluing investment property every four years. The last revaluation was performed in 2014.

There was an outbreak of COVID-19 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared 21 days of lockdown. In spite of the COVID-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) will also be used to support salaries during this period. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseeable future.

54. Change in estimate

Property, plant and equipment

The useful life of Landfill site was estimated in 2017 to be 17 years. In the current period management have revised their estimate to 10 years.

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	2019	2018
Note(s)	R	Restated* R
54. Change in estimate (continued)		
Landfill site		
The estimated useful lives were reviewed at 30 June 2018. Adjustments to the useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:s:		
Increase in Landfill site due to adjustments to useful lives of non-current provisions	5,955,350	8,021,076
Increase in Landfill Site Interest		
Interest as previously stated	1,188,428	485,090
Adjustment due to Change in Accounting Estimate	4,766,922	7,535,986
	5,955,350	8,021,076

55. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

* See Note 52